# the Freeman

Ideas on Liberty

FEBRUARY 1976

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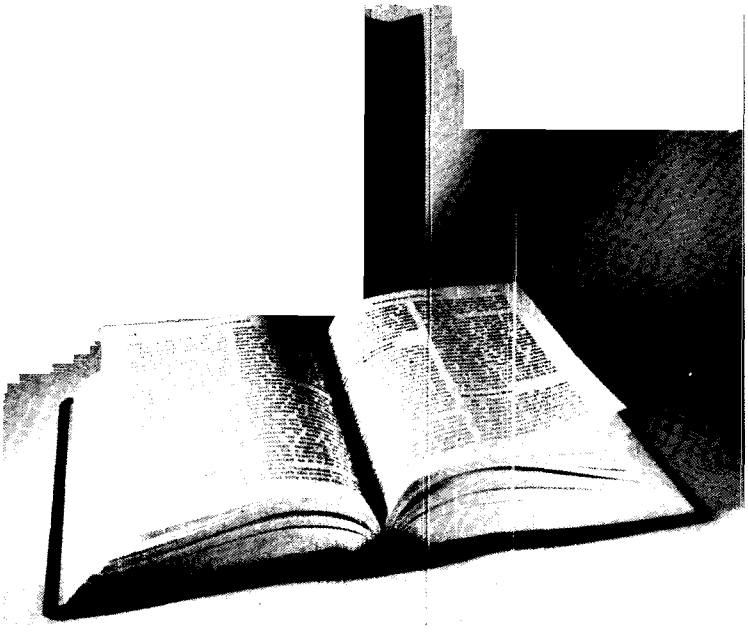

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VOL. 26, NO. 2 • FEBRUARY 1976

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## A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL: (914) 591-7230

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THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $15.00 a year per person on the mailing list. Donations are invited in any amount as the means of maintaining and extending the Foundation's work.

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THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

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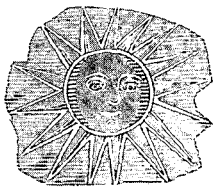
CLARENCE B. CARSON

# A Bicentennial Question:



## An Ascendant or Setting Sun?

As the Constitutional Convention at Philadelphia drew to a close in 1787, James Madison noted some concluding remarks by the elder statesman of the gathering, Benjamin Franklin. His observations had to do with a sun painted on the back of the chair of the presiding officer. Franklin declared

that Painters have found it difficult to distinguish in their art a rising from a setting sun. I have, said he, often and often in the course of the Session, and the vicissitudes of my hopes and fears as to its issue, looked at that behind the President without being able to tell whether it was rising or setting. But now at length I have the happiness to know that it is a rising and not a setting sun.

A painter of course, can distinguish between an ascendant and a setting sun. However, for those of us attempting to assess the state of the republic of the United States on the two hundredth anniversary of its founding, it is not easy to locate the position of our sun. The signs are mixed, and the sun is obscured by a cover of clouds.

There are many indications that these United States are in the ascendant. Certainly, the wealth of Americans is great as is attested to by their homes, their automobiles, their appliances, their weekend and vacation paraphernalia, and the food they consume. The great abundance in the land can be viewed in the innumerable markets within easy access of almost any inhabitant of the country: the supermarkets with their array of food and drink, the department stores with

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Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.



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their astonishing variety of goods, the gleaming automobiles for sale in the lots, and the specialty stores which cater to almost every whim and taste. Public buildings are usually massive and nearly always in a good state of repair. Superhighways crisscross the land to link the people together, as do television networks, railroads, airlines, and two-lane highways which have long since become commonplace. Engineers manipulate tiny computers to set in motion giant construction equipment to build more still of what is wanted to dwell in, work in, look at, or use in some fashion. A disinterested observer surveying this immense material achievement would surely be moved to declare that the American sun is in the ascendant.

Nor should it be thought that the reaches of the mind and spirit have been neglected in the United States. Although it is not possible by alluding to outward signs to give any measure of the quality of what is provided, there is much to show that wealth and attention have been lavished upon intellectual and spiritual matters. Of books, records, libraries, schools, colleges, universities, churches, seminaries, newspapers, magazines, seminars, theaters, and auditoriums there are a plenitude. Clergymen, professors, musicians, writers, commentators, critics, evangelists, painters, architects, and lawyers abound. Missions of one sort or another to other parts of the world attest to some degree to the ascendancy of the United States.

### *Not Clearly Marked*

But the signs are mixed, as I said; some point to ascendancy, others to descent, decline, to a setting sun. One such sign is the fiscal operations of our governments. Despite the huge take in taxes, the debt of the United States government, already grown astronomical, continues to mount. Our politicians do not have the courage to balance the budget, reduce expenses, or set aside funds for the retirement of the debt; indeed, few appear to reckon the debt as a problem. Many states and municipalities totter under the heavy burden of bonded indebtedness. The huge debt, both public and private, is kept afloat largely by massive infusions of paper money which results in a continuous deterioration of the value of the dollar.

Back of this mounting indebtedness accompanied by the decline in the value of the dollar is a related development which is its cause. It is the proliferating government programs of aid, subsidy, and welfare. Most of these programs have started modestly and then begun to balloon in fairly short order. The

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Medicare program cost somewhat over $3 billion in 1967, its first full year. Advance estimates of the cost in 1975 are just under $14 billion. So it has been, in program after program. The advance commitments of the Federal government have reached the point that it is difficult to conceive how the budget could be balanced, much less that the debt should be funded.

It is not my intention, however, to enter upon a lengthy recital of the assets and liabilities of either their government or the American people. Whatever the merits of such assessments, they are regularly made by the Bureau of the Budget and wrestled with, however ineffectively, by the President and Congress. And certainly, it is not to the purpose here to construct lists of American virtues and vices from which to draw conclusions about where we are headed. Those with a taste for American virtues and vices, particularly the vices, can find accounts aplenty, if the daily newspaper does not entirely dull the appetite for more.

Whether the American sun is in the ascendant or is setting cannot be determined by totting up what someone or other believes are our virtues and vices, entering them in separate columns, and drawing conclusions about which predominate. The question must be answered, if it can be answered even tentatively, in terms of deep-seated trends and where they are tending. Unbalanced budgets, deficit spending, and inflation are long-term trends, but back of them and lying at their roots are others which need to be explored.

### *Between Hope and Despair*

To discern these, it helps to recall what it was that led Franklin to conclude that the painting was of a rising sun. His remarks were prompted, of course, by the approval which the Convention had given to their handiwork of the last several months, the United States Constitution. If Franklin intended any effect from his words – and he probably did, for he was a skilled diplomat with many years of practice in calculating the effect of what he said with great care – it was to say to those who heard him to get on with the business of getting this Constitution ratified and put into operation.

But his words conveyed more than that. They summed up the alternating hope and despair which he and others must have felt about developments in America in the preceding dozen years or so. Against great odds, odds lengthened by the ineffectiveness of their governments, they had achieved independence from Britain. Not only were they confronted all along the way by the danger of breaking up into

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factions and camps; but also, once victory was won, they were little nearer to achieving real unity. The Constitution promised a government which could bring the states into union.

The Constitution provided for more than an energetic government which would bring about a United States, however; if it worked as intended, it would provide for Americans something rare, much sought after but seldom achieved. The United States Constitution promised *limited government and free men*. It promised to bind those who governed to the performance of their appointed tasks and thus to loose the energies of Americans to go about their constructive activities. If it accomplished this, there should be little doubt that the American sun was rising.

How unlikely that this promise should be fulfilled is not sufficiently appreciated. The story of most governments in the course of what we know of history is more sordid than not. It is the story of unleashed power, of tyrants, of oligarchies, of Caesars, of arbitrary kings, of absolute monarchs, and of dictators. It is the story of the plundering of peoples by robber barons, of ubiquitous tax collectors eating out their substance, of contests for power erupting in assassinations, intrigues, rebellions, and wars. It has been all too often the story of rulers riding roughshod over the populace while they were oppressed and bound.

### *Limitations on Power*

There have been, of course, governments which provided greater measures of justice than this would suggest, rulers who were contained to allow considerable freedom for the people, and monarchs who were held in check by constitutions. But these latter have been rare enough to make the promise of limited government and free men something out of the ordinary if it could be fulfilled.

Perhaps "promise" is not the right word. The United States Constitution does not just promise limited government and free men; in fact, no such statement is to be found in the document. The Preamble does state that one of its purposes is "to secure the blessings of liberty to ourselves and our posterity," but the body of the document is taken up with arrangements for the exercise of power, who should exercise it, and what powers were to be exercised at all. From what the Founders produced we can deduce that they thought promises would be nothing more than rhetorical flourishes. The Constitution at that point did not even contain a bill of rights. What they attempted to do was to build into

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the structure of the government the limitations which would free men.

The main way they attempted to do this was by an intricate dispersion and balance of powers. The powers of government were dispersed among the three branches of the Federal government and between the Federal and state governments. (Of course, the United States Constitution does not grant powers to the states, though it prohibits them from exercising certain powers; the powers of state governments derive from their own constitutions.)

### *Three Branches*

The Constitution says, "All legislative Powers herein granted shall be vested in a Congress of the United States . . . ." "The executive Power shall be vested in a President of the United States of America." "The Judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish." The main purpose of the separation, balance, and dispersion of power was not only to prevent its concentration but also to limit its exercise; each branch and government might be expected to guard its own powers and prerogatives by preventing the growth in the powers of the others. The underlying idea was to invoke human nature in the continuous struggle to limit government.

Benjamin Franklin's prophecy of a rising sun was correct. Under the auspices of the new constitution, the United States did expand and grow. Americans, their energies loosed by it, did press on across the Appalachians, push their way to the Mississippi, surge across the great plains, pick their way through the Rockies, and establish themselves on the Pacific. Those who were at first denied the full benefits of liberty were in the course of time freed. Americans built on a scale hitherto unimagined: they hacked their way through forests to make farms, built roads, canals, railroads, bridges, factories, and cities. The production of the United States became one of the wonders of the world to which others sought the secret. In time, they were so productive that the Europe which had once succored them would turn to America for sustenance. The United States became a power among the powers of the world and wielded great influence in world affairs.

The rise of America followed upon the establishment of individual liberty, upon allowing the individual scope for exercise of his abilities for the benefit of himself and others with whom he

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worked, traded, discoursed, played, and prayed. The pertinent Bicentennial question is this: Do those same conditions still prevail in these United States? Is individual liberty still the keystone of the American government arch? George Washington could say with assurance in his Farewell Address, "Interwoven as is the love of liberty with every ligament of your hearts, no recommendation of mine is necessary to fortify or confirm the attachment." Would the statement be true if it were made today, and what does it portend if not?

Now it is doubtful that the question of whether Americans love liberty today as they were said to do in 1797 could be answered directly. The individual in America is attached to many values, and we may hope that one of those values is liberty. The chances are good that if someone were to attempt to answer the question for today he would take a poll of a selected group of Americans. Those polled would probably be asked to rank liberty with other values which would be named. The results might have some interest, but their reliability would be most doubtful. So much would depend upon how the questions were posed; what we would most likely get would tell us more about the pollsters than the polled.

At any rate, there is a much better way to get at what people believe. By their fruits you shall know them, Scripture says, and that is certainly much more to the point than what people say or think they believe. The thrust of political activity for a good many years now has not been in the direction of maintaining or extending individual liberty. Rather, it has been in the direction of centralizing power in the Federal government, the empowering of groups, the imposing of controls, increases in taxes, and the political determination of more and more questions.

### *A Tenuous Balance*

The semblance of a balance of power remains in the structure of our governments, but if the heavens were as out of kilter as this "balance," the law of gravity would not suffice to keep the stars on an orderly course. In the first place, there is today a gross imbalance between the powers of the Federal and the state governments. The sway of the Federal government is such that states depend increasingly for revenues upon the government of the union, contrive their programs to fit the Federal formulas, and seek increasing aid while clinging to the remnants of fiscal and legal independence. The states are today

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little more than puppets, moving in whatever way they are manipulated by the government in Washington.

In the second place, the balance within the Federal government among the branches has been greatly altered. There never was a perfect balance among the branches in the sense of each of them having equal power. The makers of the Constitution gave considerably more weight in decision making to the Congress than to the President or Supreme Court. (Within the Congress, however, the weight of the House and the Senate was made about as nearly equal as might be.) Congress was given the power not only to make the laws, appropriate money, and declare war, but also a share in appointive powers and authority to impeach and remove members of other branches as well as that of governing themselves.

In the twentieth century, however, the weight has shifted away from Congress, if not technically then in actuality. From the early 1930's to the mid 1960's the powers of the President were vastly augmented. In effect, the President usually initiated legislation, conceived programs for the government and administered them, conducted the increasing involvement in world affairs – dispatched armies, disposed of foreign aid, and carried on extensive personal diplomacy with the leaders of other nations – and was everywhere understood to be at the apex of power in the United States.

Since the mid 1960's, however, indications are that the office of the presidency has declined in power and influence. It began during the last years of the Johnson administration, continued through the Nixon years, may have been accelerated by the disgrace of Nixon, and has not abated with the coming of President Ford. The trend does not thus far signal a restoration of a balance of power, however. The executive branch continues to grow in numbers and powers accorded it; but it is the growth of a body while the head shrinks. Most likely, it was Nixon's inept wrestling to gain control over the executive branch which may now be beyond administering that was his undoing.

### *The Supreme Court*

Meanwhile, the Supreme Court has assumed unprecedented powers in recent years. The Warren Court, as it came to be called, solidified this trend in the 1960's by its activist decisions. Under the sway of a mass of decisions, the Federal courts became not only the final arbiter of the meaning of the Constitution but also the only

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arbiter. Congressmen are heard to say that we cannot know whether this or that measure is in keeping with the Constitution until there is a court ruling on the matter. This is a serious abrogation of the duties of a Congressman and a contribution to the unbalancing of powers.

Congressmen are sworn to uphold and defend the Constitution. Their first line of defense of the Constitution is to enact no laws believed to be in conflict with its provisions. This is made more serious by the presumption of the courts in favor of the constitutionality of acts of Congress signed into law by the President. Be that as it may, the Federal courts have assumed extensive powers over American schools and unusual powers to determine the legal rules under which we live.

There is yet another development, however, which more seriously effects the balance of power than the others, if that is possible, and has changed the posture of our government. It is the accelerated growth of the bureaucracy and its expansion into more and more areas of our lives. Some have referred to the bureaucracy as a fourth branch of the government. The intent of the characterization may be good, but it fails adequately to describe the development. The bureaucracy is not just another branch of the government, it comes nearer to being another government. It is as if we now have over us the state, Federal, and bureaucratic government. There is hyperbole in this way of looking at the matter, but not as much as might be supposed.

### *Growth of Bureaucracy*

The separate bureaucratic government phenomenon is best exemplified by the "independent" boards and commissions, such as, Federal Communications Commission, Civil Aeronautics Board, Interstate Commerce Commission, Equal Employment Opportunities Commission, National Labor Relations Board, and so on. They are called independent because they are creatures of Congress and do not fall under the administrative authority of the chief executive. They may be thought of as separate governments because they perform all three functions of government; they legislate, administer, and enforce the laws which they devise. The constitutional separation of powers is abridged, and power is concentrated in single bodies.

These and other bureaus now produce 10 times as many rules or, more accurately, laws as does Congress. This lawmaking power has become so obtrusive that there is now before Congress a bill to sus-

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pend the operation of some of the bureaucratic legislation until Congress has had the opportunity to examine it. Congress, which has all the constitutional authority to legislate, would gain a veto power over bureaucratic acts – a notion sufficiently strange to provoke mirth if not tears.

Bureaucratic control, however, is not a fit subject for mirthmaking; it is serious, often dead serious. Bureaus now hold life and death powers over virtually all activities in America. Whether one wishes to build a church, operate a printing press, produce a car, buy a house, buy and sell widgets, hire or fire, he finds one or more or many bureaucrats athwart his path. They license, certify, approve or disapprove, inspect, classify, lay down rules, hold hearings, compile dossiers, make rulings, restrict, restrain, and confine. They are ubiquitous and omnipotent and often behave as if they were omniscient.

Judging by these developments, a reversal has been and is taking place. The constitutional principle was, as stated, a limited government and free men. The trends examined show government being loosed and men being limited and confined. The concentration of power in the Federal government, the growth of the executive branch, the assertion of power by the Federal courts, and the proliferation of the bureaucracy have been a letting loose of government from its constitutional confinement. The one being confined by the sway of this power is the individual.

What do these things portend for America? Is the sun in the ascendant or is it setting?

At the rate things are going, the sun is setting for individual liberty in America. There are those who claim that what is being regulated and controlled is only the economy. Such claims are entirely specious; the economy is an abstraction to which government controls cannot be applied. It is people who are regulated and controlled. Moreover, it is not possible to regulate people in the economic aspect of their lives and leave them otherwise free.

### *Economic Factors*

There is no aspect of our lives that is not hinged in some way to the economic. Everywhere that we are and everything that we do involves the use of property; whether asleep or awake, whether eating or fasting, whether reading or looking at television, whether walking or riding, it is all upon or with property. Every transaction we engage in, whether buying a newspaper or book, whether contributing to the church or buying a house, whether traveling to Eu-

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rope or visiting Colonial Williamsburg, is economic in nature. Indeed, there is no angle from which to control our lives that can begin to equal the economic. The spread of economic controls, or the control of business, as it is sometimes called, signals the decline of individual liberty.

Government control signals, too, the setting of the sun for America. There is no knowing how long a people can survive ever-tightening controls. For a very long time, no doubt. But they do so at the expense of prosperity, of economic growth, of that vitality which makes for greatness of a people and a nation. Controls make it ever more difficult to adjust to changing circumstances and conditions.

There is good reason to believe that the United States is already visibly suffering from the rigidity of an economy made so by bureaucratic controls. Repeated efforts to revive the economy by massive jolts of government power by inflating fails in its object. It fails because the problem is not monetary in origin, though the attempt to solve it in this way certainly aggravates the problem. The problem arises, in the main, from inflexibility, rigidity, and restrictions which stand in the way of making the needed adjustments. The long wait for bureaucratic approval and inspection before changes can be made hampers businesses. We would probably have Alaskan oil today rather than at some date in the future if environmentalists had not intemperately delayed the drilling and laying of pipelines. A people who will tolerate such interference with their lives can expect that their lives will become harder and harder.

### *Time to Reconsider*

The American sun may appear to be in the ascendant, but there is strong reason to believe that it has entered upon its descent. It is especially appropriate in this Bicentennial season to think back upon and ponder these things. Anyone who cares to know may rediscover those principles which reassured Franklin that he was looking upon a rising sun. Those who care to do so may review as well the histories of peoples who have not been so fortunate as to start their national careers on the foundation of great political principles. When they have thus studied history, they may well wish to restore those principles to their former place. It will be no easy matter to do so.

Governments are not easily induced to relinquish the powers they have obtained and are used to exercising. Politicians and bureaucrats do not relish yielding up their authority over our lives.

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Only a resolute populace determined to assert itself and claim its rights can prevail against them. Only those who have that love of liberty intertwined with every ligament of their hearts could be expected to make the effort.

There is one hopeful thought. The rotation of the earth on its axis which produces the rising and setting of the sun is a natural phenomenon, something we can only observe but not control. The sun having risen, continues upward to its zenith, commences to descend, and must inevitably set. It is not so with peoples and with nations. It is within their power to change the course, even to reverse it, to restore principles, to be revived and revitalized. When liberty gives way to fullfledged oppression it is most likely lost for a long time, but liberty threatened can be more readily recovered.

It would be good indeed if we could use the occasion of our national Bicentennial not to pay tribute to the dead but to rediscover and reinstitute those great principles which characterized the American Revolution – principles which could be made to live again in America.

IDEAS ON LIBERTY

### *My Freedom Depends on Yours*

IN ORDER for the highest ideas and ideals of mankind to prevail generally, it seems obvious that a condition of peace and freedom is required – a society wherein no person molests any other person; a society wherein no person prevents any other person from developing his creative potentialities to the fullest extent of his understanding and ability.

This desirable state of affairs will not occur all at once. It will grow only as freedom is understood and as faith in it is restored. If one person decides today to practice freedom, the evolutionary process in human relationships will move forward one more step. That is the only possible path to freedom – a peaceful change in thought and understanding and action among individual persons.

Anyone can begin the practice of freedom whenever he chooses to do so.

DEAN RUSSELL

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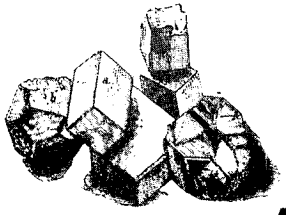
PAUL L. POIROT



# A MINERAL ALERT

HAVE WE WITHDRAWN so much land from mineral exploration and development as to seriously affect the long-term mineral position of our country? That is the key question explored by Gary Bennethum and L. Courtland Lee, young professionals in the Department of the Interior, in an article "Is Our Account Overdrawn?" in the September 1975 issue of the *Mining Congress Journal.*

President of the American Mining Congress, J. Allen Overton, Jr., introduces the article:

Bit by bit, acre by acre, vast tracts of the public lands of the United States are being withdrawn from entry for mineral exploration. The various federal bureaus and agencies have sharply accelerated this withdrawal process since 1968, without coordination and without regard for the cumulative effect on future production of metals and minerals from domestic sources.

*Unbelievable as it may seem, an area larger than that encompassing 25 of the 27 states east of the Mississippi River is no longer accessible even for mineral exploration, not to mention development for mining.*

Much of this withdrawn land is in regions where mineral deposits of economic significance are most likely to occur – in the western United States and Alaska especially.

Lots of laws and governmental agencies are involved in this story but the essence of the situation is that of 824 million acres of public lands potentially available for mineral leasing, 24 per cent were withdrawn as of 1968 and 73 per cent withdrawn as of 1974; and of 742 million acres of public lands subject to the Mining Law of 1872, 17 per cent had been withdrawn from possible use in 1968 and 67 per cent as of 1974. Much of the problem developed in Alaska over the Native Claims Settlement Act of 1971. But other significant withdrawals have been made in the name of National Parks, Military



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Claims, Wilderness Areas, Wild and Scenic Rivers, Fish and Wildlife Refuges, Utility Corridors, and Primitive and Roadless Areas, among others.

Special interest groups have gained political power to have lands set aside exclusively for their own purpose, thus precluding any other possible use of such land – even if two or more purposes might have been served simultaneously. At any rate, mining interests are deeply concerned about this recent trend of land withdrawal from mineral exploration and use.

Lest this be construed as special pleading by mining interests, let us view the matter in broad perspective. Of the total land area of 2,264 million acres in the 50 states, approximately one-third is federally owned/controlled – and not quite half of the latter is in Alaska. Private owners may have personal problems or difficult decisions about the sale or use of their property, but there is no public or general problem over mineral rights or withdrawals on privately-owned land. The problem arises in the public sector – on land not subject to market regulation and control.

This is the old, old problem of the wasteful use of scarce resources under a system of ownership in common; the ancient problem of chronic famine and starvation that still plagues people dedicated to socialism; the problem of over-grazing the commons in old England, and in the early days in New England where all produce went into a common storehouse for withdrawal by "each according to his needs"; the problem that has only been solved in comparatively modern times in those comparatively few places where the people have understood and respected the institutions of private ownership, specialized production, and voluntary exchange in open competition. This is the problem that currently perturbs mining interests with respect to exploring and developing mineral deposits on government lands. But on those same government holdings is the same problem with respect to grazing rights, water rights, timber rights or any other potential use the market might indicate.

Private owners of land and other scarce resources are free to waste them as they choose, of course, but always strictly at their own expense. If a private owner chooses to hold a given area as a park or preserve or for some other limited use, the market demand for other potential uses makes that owner painfully aware of the opportunity costs he bears to satisfy his particular purpose. And

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he may be tempted, even persuaded, to allow a small mine opening or an oil drilling rig or pump or even some supervised timber harvesting on his otherwise scenic preserve. It is to his selfish interest to develop and use as economically as possible every scarce and marketable resource available on his property. There is every incentive for him to conserve rather than waste what he owns.

Not so on "the commons" – on that third of the land area of the United States remaining under Federal ownership and control. Not the bids and offers of potential buyers and sellers but only the numbers of voters favoring or deploring a given use have real meaning to the government official in charge of the land. To open such land to the highest bidder in the market place would be to bring it under private ownership – and that would diminish or even close out entirely the job of that government official. So his only incentive is to continue the land in some politically palatable but economically wasteful use – some purpose that millions pretend to applaud though unwilling to support it with their own resources.

Yet, when public officials dictate the disposition of scarce and valuable resources, the millions who applaud are nonetheless obliged sooner or later to foot the bill. And that bill is falling due far sooner than many had supposed – next week, or next month (or was it yesterday?) for New York City.

The bill already has fallen due and is being paid for government mismanagement of natural gas and petroleum prices, production, marketing, and wasteful consumption.

The bill has fallen due and is being paid in countless "downtowns" laid waste in the name of zoning and rent control and public housing and urban renewal and related objects of urban planning. And there will be additional bills to be paid for urban and rural land utilization schemes and regulations.

Whenever scarce and valuable resources are taken out of private ownership and control – withdrawn from the market – and thrown into "the commons" there is a cost and the taxpayer will be obliged to pay. So let us beware the plans and controls and withdrawals we applaud, for most certainly we will pay for them.

No one knows precisely what the price will be or how long before the bill falls due for the recently accelerated withdrawal of a major part of the public domain from mineral exploration and use. But we should be grateful to Messrs. Bennethum and Lee for the early warning.

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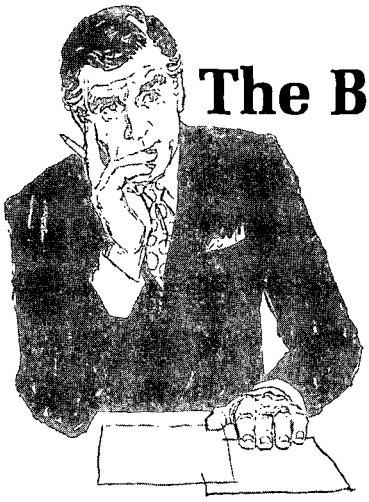

# The Businessman and Free Enterprise

BENJAMIN A. ROGGE

THE QUESTION before this house is not whether the survival of capitalism is in doubt (this is admitted). The question for us, as it was for Lenin at an earlier time, is What To Do? His concern was how best to hasten the collapse of capitalism; our concern is how to postpone or ward off that collapse.

Frankly, I feel more at ease as the diagnostician than as the therapist. Cancer is still easier to idenify than to cure, and so is over-expanded government. Admittedly, diagnosis must usually precede therapy. After a lengthy diagnostic examination, the doctor looks up at the patient in some puzzlement and asks, "Have you had this before?" To this the patient replies, "Yes," and the doctor says, "Well, you've got it again." Quite obviously something more than this is needed. Proper therapy usually rests upon diagnosis of the specific problem, including some notion of how the patient got into his fix, whatever it might be.

I begin then with the question "What is our problem?" In an earlier sentence, I identified the problem as that of over-expanded government. This is not really correct for the purposes of therapy. Over-expanded government is, in fact, but the most noticeable, objectively-evident *symptom* of our problem. Our problem is in the form of a set of ideas whose im-

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plementation calls for the use of force and government in that agency of society given a monopoly of the right to use force. For so long as those ideas are dominant in society, Behemoth will continue to grow. Nor is it useful for those who hold and espouse those ideas to publicly regret the associated growth in government and all its instrumentalities. Thus Senator Edward Kennedy has said recently that "one of the greatest dangers of government is bureaucracy," and Senator Gaylord Nelson has said that, "The federal bureaucracy is just an impossible monstrosity." All well and good but that growth in bureaucracy which they so rightly lament is the necessary and inevitable outcome of the ideas that these two (and others) have so well and so convincingly espoused.

### *Man and Superman*

What are these ideas that produce bureaus as larvae do moths? They can be expressed in various ways but their essence is to be found in the following related propositions:

(1) There exist individuals and groups in society who know not only what is best for them but what is best for others as well; and

(2) This wisdom, when combined with the coercive power of the state, produces "the good society." An accurate verbalization of these ideas is to be found in the statement of Newton Minow, who said as chairman of the agency controlling television in this country, "What is wrong with the television industry in this country is that it is giving the viewers what they (the viewers) want."

Compare this, for example, with these words from Adam Smith's *Wealth of Nations*:

> What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

Some of you may see in other idea-systems (such as economic determinism, or relativism or envy or what have you) the real source of our malignancy. God, my wife, my children and all of you know that I am fallible and perhaps I have chosen poorly in this case.

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What I *am* prepared to argue in a more strenuous way is my conviction that our struggle is at the level of ideas and not that of men or institutions.

In the words of the celebrated John Maynard Keynes:

> The ideas of economists and political philosophers, both *when they are right and when they are wrong*, are more powerful than is generally understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

My first point then is that we are involved in a war of ideas. My second is that our target is not the masses but those men and women in society who deal in ideas and who shape the thinking of the masses. In the words of one of the great idea men of this century, the late Ludwig von Mises:

> The masses, the hosts of common men, do not conceive any ideas, sound or unsound. They only choose between the ideologies developed by the intellectual leaders of mankind. But their choice is final and determines the course of events. If they prefer bad doctrines, nothing can prevent disaster.

My third point is that the ideas that finally count are those that relate to such fundamental questions as the nature of man, his purpose here on earth and the moral character of human action. Arguments on the basis of economic efficiency are not alone capable of saving capitalism.

According to Joseph Schumpeter: ". . . it is an error to believe that political attack [of capitalism] arises primarily from grievance and that it can be turned by justification. Political criticism cannot be met by rational argument. Utilitarian reason is in any case weak as a prime mover of group action. In no case is it a match for the extra-rational determinants of conduct. The stock exchange is a poor substitute for the Holy Grail."

### *Ideas Shape Society*

I have now enumerated my assumptions as to the nature of the task in which we are involved. I have argued that we are really involved in a struggle for the souls of men, that in that struggle it is ideas that count and that the questions that are relevant are largely ethical in nature. Moreover, I have argued that our target is not the masses but those who live by the spoken and written word and who thus largely shape opinion in society.

If these assumptions be even

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roughly valid, what then is implied as to the role of the businessman in the fight to save capitalism? Before attempting an answer to that question, let me consider one that seems to precede it. Should the businessman *as businessman* even get involved in the struggle?

A number of factors would seem to indicate a negative answer to that question. To begin with, the businessman is not typically hired by the stockholders to carry on programs of social reforms; he is hired to add to the net worth of the company. Admittedly the net worth of the company may be adversely affected by particular acts of government, and the stockholders would surely approve of management action in opposition to those specific threats to profits – for so long as the potential gain exceeds the cost. At the same time, the company may often stand to gain through specific acts of government, including actions that work *against* the principles of capitalism. Is it a tariff against foreign steel producers? or an export subsidy that would increase the demand for the company's products? or a government-enforced price or interest rate that adds to the profits of the company? How now the businessman? How can the President of the Mobil Oil Company be a convincing spokesman for free enterprise when his job seems to require that he oppose immediate decontrol of oil prices? How can the President of General Electric stand four-square for capitalism, yet support export subsidies for many of the products sold by his firm?

### *The Businessman's Dilemma*

The fact is that there is hardly a businessman in this country who is not receiving favors from government in one way or another. The fact that this is true of most other elements in the society, including his critics in the ranks of the intellectuals, does not really change the nature of the businessman's dilemma. His job may seem to require of him that he support specific government intervention in the economy of precisely the kind that, in the fight for men's souls, he must condemn as general practice. Knowledge of Kant's Categorical Imperative – do only that which you would be willing to see done by all – may get you an A in a college course in philosophy but may get you fired if you attempt to practice it as a businessman.

In other words, his very position may seem to require of the businessman that, in the struggle against government intervention, he be as often a part of the problem as of the solution. Moreover,

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how can he face those he is attempting to persuade to hold the capitalist faith when his own hands are so obviously unclean?

This is not a plea for the businessman to abjure all government assistance, even at the cost of dollars and perhaps survival. With Adam Smith, I assume that businessmen (as all others) are rarely prompted by general benevolence. In fact, with Adam Smith, I would urge us to "examine any proposal which comes from this order of men (the businessman) not only with the most scrupulous but with the most suspicious attention."

A second reason for a possible negative answer to the question of whether the businessman should get into the fight to save capitalism is that he is usually an amateur in the practice of the arts required by that struggle. The art required is not that of making or selling men's suits or aircraft motors; the art is that of the dealer in abstract ideas, including particularly systems of ethical judgment. Don't misunderstand me; it is not that the businessman is unintelligent. I yield to no one in my respect for the great practical and theoretical intelligence required for effective entrepreneurship. It is simply that his intelligence is not applied, day in and day out, to the kinds of questions and considerations that are at the center of the argument. This is not his turf, nor is he usually adept at the word games played on it.

What I am saying in essence is that here, as in most of life, the prizes (in this case, the souls of men) will go largely to those who are specialists in the arts involved. Admittedly there are some such (I could name you a dozen or so) from the ranks of the businessmen, but their skills in the arena of ideas and words are not a product of their business experience but of what they have done on their own initiative to improve their own understanding of the ideas involved here and their skills in communicating those ideas.

### *Who Stands Most to Lose?*

Where then does this leave us? Can the typical businessman do nothing but deplore the growth of government and go on about his task – which may have been made easier in some ways and more difficult in other ways by that selfsame expansion of government involvement in economic life? I believe that the answer to that question is "no" – but I have some real sympathy with those businessmen (and this will be the great majority) who by their inaction say "yes". After all, as Henry David Thoreau put it, "I came into this world, not chiefly to make this a good place to live in, but to live

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in it, be it good or bad." Nor, as I have argued elsewhere, is it the administrator-businessman who has the most to lose from the passing of capitalism. Most of them will end up as administrators of socialist enterprises if and when full socialism arrives. It is the masses who have the most to lose – and who also have the least understanding of that fact.

But for those of you who *are* interested in doing something as business and professional people to counter the drift to collectivism, here is what I would suggest that might be both useful *and* consistent with the profit-oriented role for which you draw your pay.

(1) Work with your own staff members and employees. A work force that has some understanding of the market place and of where its own goodies come from *may* (and it is only a *may*) be a less troublesome, more effective force over time. Any number of such programs, of varying effectiveness, are now in operation and available for general use.

(2) Work with the appropriate audiences in the communities where you have operations. Here again, there may be some pay-off in terms of a better political environment in which to function. Again, there are a number of such programs now in operation.

Anything more? Frankly, I am not much impressed by the usefulness of business attempts to reach nation-wide audiences with free-enterprise propaganda.

What else? The "else" is what the businessman *shouldn't* do rather than what he should do. Moreover, it requires that the individuals involved must have done their *own* homework.

In fact, let me say right now that even the first two steps I have identified can do more harm than good if the people selecting and authorizing the operations have not themselves taken the time and effort to decide exactly what it is they believe and why. There is nothing about being a successful businessman (even a *very* successful businessman) that automatically endows one with an understanding of or an attachment to the principles of freedom – a statement I could support with a hundred examples, if time permitted. In fact, some of the great fortunes of America have been made by those who have learned how to use government intervention to their own advantage.

#### *Examine Your Principles*

I cannot emphasize too strongly that the very first thing each of you who wishes to be a truly effective part of this struggle must do is to do your own homework. This requires reading, thinking

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and, yes, writing. I challenge each of you to go home tonight and put down in brief form your guiding principles in life and their applications in this area of the relationship of the individual to his government. You might also find it interesting to follow that with a list of those things which you and/or your company or group are now doing that are clear or possible violations of those principles.

Am I asking you to immediately cease all ideological wrongdoing? to cut yourself off completely from all areas of government involvement? Were you to do so, there would be literally no way you could eat or move about or keep warm or survive – such is the extent of government's involvement in our lives. Each of you, in your professional role must decide for yourself the limits of your compromise with the apparent demands of the moment.

### *Summation and Concluding Suggestions*

(1) I am arguing that the first and indispensable step for any person who wishes to be a part of the effort to save capitalism is a determination of precisely what he believes and why. This will usually involve, not just putting down the already-determined, but active study, reflection and discussion. This is your intellectual and philosophical armor and without it you are not only vulnerable but as likely to be a handicap as a help in the struggle as well.

(2) Try as best you can in this imperfect world to live by those principles.

(3) In using your professional role or your company in the struggle, do only those things that seem consistent with the long-run interests of those whose money you are using. Remember, not all stockholders will wish to have their money used in this or any other crusade.

(4) If you wish to play a personal role, apart from your company or professional connection, then you must dig even deeper into what you believe and why; you must know even more fully the arguments and values of those with whom you disagree; you must continually seek to improve your skill in expressing your ideas and in demonstrating the errors in contrary positions. My guess is that only a few of you will carry through to this level of participation – but it is not a numbers game anyway; it is a game in which it is the quality of the few that finally counts.

(5) I spoke earlier of the things that you should *not* do but didn't specify them. What are they?

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(a) Don't make a pest of yourself by trying to force your free-enterprise ideas down the throat of every passerby – whether in your home, your office or at the cocktail party. In the words of Leonard Read, founder and President of the Foundation for Economic Education, who has taught me everything I know on this and many other questions, "Go only where called – but do your damndest to get good enough to be called."

(b) You may not be able to avoid involvement in departures from principle but at least don't lend your voice or your money to the support of those departures. You may have to pay into Social Security or submit to a system of wage-price controls but you don't have to join committees or groups who support such programs.

In a hundred different ways and forms, the American businessman is aiding and abetting the enemy by continuing his involvement in organizations and programs that are as likely to propose as to oppose extensions of government. Don't let this reciprocity game you people of substance play with each other or your desire to be a good guy or what have you lead you to give your money or your name (and hence, by implication, your support) to activities or organizations that are working the other side of the freedom street.

To return to Thoreau:

> It is not a man's duty, as a matter of course, to devote himself to the eradication of any, even the most enormous wrong; he may still properly have other concerns to engage him; but it is his duty, at least, to wash his hands of it, and, if he gives it no longer thought, not to give it practically his support.

Forgive me if I seem to blaspheme, but even your church and your college should be examined with some care before you bless them with your dollars and your support. You don't have to prove you are a nice, broad-minded guy by providing the devil with the coal for your burning.

Again to be specific, you needn't insist that every professor on your old campus think exactly as you do but I believe it completely appropriate for you to find out if the general idea system that *you* believe to be best is well and ably represented in the ranks of the faculty.

I close this sermon with these words: Avoid anger, recriminations and personal attack. Those with whom you are angry are

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probably (taken by and large) at least as filled with or as empty of virtue as you. Moreover, they are the very ones you might wish later to welcome as your allies.

Avoid panic and despair; be of good cheer. If you're working in freedom's vineyard to the best of your ability, the rest is in the hands of a higher authority anyway. If you can see no humor in what's going on (and even at times in your own behavior) you'll soon lose that sense of balance so important to effective and reasoned thought and action.

Finally, take comfort in the thought that the cause of freedom can never be lost, precisely because it can never be won. Given man's nature, freedom will always be in jeopardy and the only question that need concern each of us is if and how well we took our stand in its defense during that short period of time when we were potentially a part of the struggle.

IDEAS ON LIBERTY

### *The Personal Practice of Freedom*

YOUR FRIENDS and acquaintances may not always believe what you say, but none will question for one moment the fact that your personal conduct and consistent personal practices speak the truth as you see it. You cannot convince your neighbor by word of mouth that you are a believer in temperance if he sees you staggering around your house each Saturday night. You cannot convince him that you are in favor of government economy and then sign resolutions calling for federal funds with which to build your town a bathing beach or even a hospital. You cannot convince him that you believe in economic freedom and independence for the individual and then ask that Washington underwrite your personal or business risks.

The first step, then, is to make certain that we actually believe in this thing. We have got to want it enough to practice it personally. If not, the answer is already given as far as we are concerned.

ED LIPSCOMB

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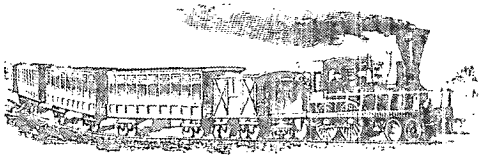
# Why Reforming the ICC Is Not Enough



WILLIAM D. BURT

THE CHOICE confronting us today is clear: either abolish the Interstate Commerce Commission, or accept the impending breakdown of transportation.

We can have deregulation and a free market.

We can, to a point, also endure nationalization with its army of featherbedders whose pretenses at "service" will be a sad joke on shippers and taxpayers alike.

But regulated transportation — the politically palatable middle ground — is nearing the end of the line.

Like the canals before them, early railroads received substantial government aid which caused over-investment in facilities. When direct Federal support began to recede in the 1870's, a day of reckoning loomed which could not be forestalled despite the industry's hapless attempts at cartelization. Rather than permit the weakest carriers to face the music, Congress in 1887 created the Interstate Commerce Commission to regulate competition and pricing.

Initially confounded by the multifarious forms of rebating with which companies had circumvented private pooling, the Act to Regulate Commerce needed several "perfecting" amendments. However, with the passage of the Mann-Elkins Act in 1910, the ICC began policing its price-fixing system with relative effectiveness. The Transportation Act of 1920 formalized the Federal govern-

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ment's commitment to railroading as a public cartel.

All this merely encouraged shippers to avoid rail transport. Regulation or no, this was bound to occur. Trucking, barges, pipelines, and air transport all developed to some degree as the market's answer to attempted rail monopoly. For instance, railroads tended to set rates low on competitive routes (despite cartels) while holding up rates to places they served alone; hence, the short-haul trucker. But the growth of such alternatives through the 1920's and '30's hardly implied an efficient free-market reallocation of traffic, for government still meddled with all transportation. Overbuilt trackage, shielded pricing, and the headlong leap into building public roads, waterways, and airports combined to initiate an exaggerated shift of business to the railroads' new competitors.

Despite such distortion, the grip of the rail cartels was so loosened that Congress was persuaded to bring the newcomers under regulation: trucks and buses in 1935, and water carriers in 1940. This time, "fairness" and "equality" did not cloak the intent to cartelize the competitors, and shipper groups almost unanimously opposed extending regulation. Shaken by the depression, trucking firms pleaded for it.

Today, exemptions mean that the ICC regulates and sustains a cartel made up of one-tenth of barge traffic, one-third of trucking, and all of railroading. Airlines are similarly overseen by the Civil Aeronautics Board. Economists say that transportation policy amounts to an implicit tax of more than $10 billion a year. This figure, derived mainly from the costs of idled resources and regulatory misallocation of traffic among transport modes, cannot begin to account for the awesome loss of opportunities. But the U.S. Department of Transportation has found the case sufficiently convincing to press for regulatory *reform*: speeding up the ICC's ratemaking process, allowing "zones of reasonableness" within which railroads and truckers may freely tinker with rates, and supervising traffic associations (rate bureaus) to ensure that these agents of the public cartel do not act "anticompetitively."

Instead of merely enumerating costs of regulation, a more logical approach would note these six major features of regulation which have been the undoing of transportation:

#### *Antitrust*

The major impetus for regulatory reform comes from those who would remodel transport regula-

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tion along the lines of antitrust policy. Envisioning "perfect competition" – an economy where consumers are so wooed by producers that all *political* complaints about "high prices" or "scarcity" have been stilled – they overlook the certainty that antitrust policy will foster inefficiency by imposing artificial limits upon the size and functions of transport firms. Unreached economies of scale and pervasive misallocation of traffic to less able carriers can be the only result.

Startling evidence of this has been unearthed recently in the case of trailer or container-on-flatcar rail traffic, which was once touted as the savior of transportation because it uses trucks for short-haul pickup and delivery of containers while availing itself of the rails' long-haul efficiency. "Piggyback," as such shipments are called, now loses money for many railroads. Why? The idea is untarnished; however, because railroads are prevented from owning truck firms performing piggyback's "retail" services, and because the ICC requires railroads essentially to price their services "by the mile," incentives have been bent towards maximizing the percentage of each piggyback trip spent *on the rails*. Thus, low-volume piggyback and container terminals have proliferated, suffocating the concept of efficient "wholesale" rail service. Antitrust guarantees such expensive mischief.

#### *Egalitarianism*

In response to its recent critics, the ICC has returned to waving its most infamous bloody shirt: "unfair and unequal treatment." That the would-be reformers have also bowed to this emotional appeal is apparent in the fact that their proposals leave intact extensive ICC powers compelling carriers to handle each other's equipment "without prejudice," to cooperate in any through route or inter-line rate "reasonably" proposed by connecting carriers, and to peg freight charges to mileage (the "long-haul/short-haul clause") so as not to favor shippers in any one location.

But discrimination incurs no injustice. The only thing "binding" a customer to any product such as transportation is his continued judgment that, whatever its undesirabilities, he is still better off buying it than not. In contrast, *forcing* carriers to sell their product on terms other than their own is but slavery.

Ironically, price discrimination often benefits those who bewail it. For example, wherever several producers of the same product who are located differently ship to the same destination, strict mileage

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rates result in the nearest producer's underselling all others. This, of course, reduces the number of competing shippers, each of whom now bears a much higher proportion of the overall costs of the transportation company. On the other hand, reducing rates to more distant producers permits costs to be spread over many rather than few customers. This makes possible many kinds of transportation which could not be supported by "nearest" shippers alone. Though discrimination simultaneously increases transport efficiency, and contributes to the plenitude of goods "from all over" found in most marketplaces, it has occasioned such lasting envy among its imagined victims that its benefits seem permanently forgotten.

To the extent, then, that egalitarianism wastes transportation resources, it is responsible for the railroads' dismal return on investment. Despite the ICC, though, proscribed *price* discrimination often reappears as *service* discrimination — by far a relatively inefficient substitute.

Consider the latest generation of "hy-cube" boxcars designed to handle auto-parts. These emerged when railroads were prevented from cutting rates to the auto makers, or from bending ICC car-service rules to assure GM and Ford a dependable supply of freight cars. By building the capacity of two older cars into one big new one, railroad managers cleverly improved their ability to assure car supply and do so at effectively discounted rates. However, costs were run up in ways that didn't show until later. When auto traffic slackens, hy-cube cars amount to little more than white elephants. As maintenance forces have discovered, the weight of the big cars crushes already-weak track structures. Adding insult to injury, hy-cubes are found to generate extreme lateral "waddling" movements at slow speeds which figure in an increasing number of derailments.

#### Common Carrier Obligations

How would we fare if carriers weren't required to provide stable service for everybody?

We'd be better off . . . with more variety and *improved* transportation. Best of all, most of us could quit footing the bill for those "disadvantaged" people who choose to do their business from relatively inaccessible corners of the world.

The common carrier obligation, a queer but time-honored anomaly of common law requiring transport firms to serve all "reasonable" comers, underlies nearly every power of the ICC. It also accounts for the familiar behavior of trans-

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port employees toward the public. As Clarence Carson observes, theirs is the enthusiasm of a serf.[1]

Included in the category of "common carrier" ICC decisions are those governing railroad branchline abandonments, truck service to small communities, and the rail passenger-service discontinuations of the 1960's. The CAB's requiring airlines to serve small airports is yet another example. When carriers are required to serve all (or when tax monies support Amtrak's passenger trains), unspirited, mediocre service is "assured" to "disadvantaged" recipients at the expense of others. More importantly, such requirements abort better ideas by keeping their potential markets locked in the cold arms of the common carrier.

Railroads ran long-distance passenger trains decades after it had become clear that such operations had been doomed by union rules and government subsidy of interstate highways and airways. After Congress created Amtrak to perpetuate the existing passenger-train concept, the public agency shortly dropped over one hundred trains from its schedules. Such a quantum leap backwards for the common carrier triggered an entrepreneurial response which incorporated major technological innovation, today lavishes unheard-of service on its patrons, and, for the first time in memory, runs full, *happy* trains. "Auto-Train" could never have been born had Amtrak or the railroads lived up to their common carrier obligation.

Prohibitions against railroad branchline abandonments have forestalled another better idea: the independent feeder "shortline" railroad which, without union rules and with personal attention to rural shippers, can make money out of many previously uneconomic branches. Similarly, it is evident that deregulation of trucking would encourage widespread entry of low-capital entrepreneurs into service-oriented pickup and delivery. Lastly, the experience with CAB-unregulated intrastate air carriers in the Southwest gives reason to expect that deregulation would not only increase the profitability of national airlines concentrating on dense routes, but also increase travel between lightly-populated points served by efficient small air carriers.

All of this is the other side of the coin: "common carriage" actually circumscribes the different means by which people may avail themselves of transportation. It does so by spreading the errone-

1 Clarence B. Carson, *Throttling the Railroads* (Irvington, New York: Foundation for Economic Education, Inc., 1971), p. 44.

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ous notion that most shippers will find it more advantageous to force their desires upon a common carrier – despite low probability of success – than to pay their own way on the free market. Politically, this formula is dynamite, emphasizing emotional appeal and obscuring complex truths.

### *The Incentive to Protect*

To this point we have analyzed dogmas retained under "reformed" regulation which are, however, not essential to regulation *per se*. Even more pernicious are the institutional dynamics of regulation.

One of these is the ICC's historic (though hotly denied) policy of holding one carrier's rates up to protect the traffic of another – known as "umbrella ratemaking." Another means to the same end is the Commission's effort to sustain weak carriers at the expense of stronger competitors, as when the Milwaukee Road was given trackage rights into Portland, Oregon and Louisville, Kentucky as conditions for ICC approval of the Burlington Northern and Louisville & Nashville/Monon Railroad mergers.

Such practices are rationalized in part by Congress' mandate in 1940 to "promote sound and economic conditions" among regulated carriers. Despite a simultaneous directive (and another in 1958) to refrain from disturbing the "inherent advantages" of its subjects, the Commission has repeatedly seized upon the 1940 language to excuse its sustaining weaker carriers by robbing stronger ones.

With good reason! All of the ICC's political incentives place a premium upon increasing the number of its constituents – at least as long as it can do so at the expense of strong carriers' finances or inelastic consumer demand. The excess capacity, lingering financial anemia, and periodic bankruptcies can all be blamed on "capitalism" or "mismanagement," and charged to the taxpayers eventually.

Congress, too, would apparently prefer to "fly now and (let the other guy) pay later"; witness the current imbroglio over allowing the Lehigh Valley or Rock Island railroads to be abandoned. Umbrella policy, then, is also consonant with political shortsightedness, and is therefore a permanent feature of economic regulation.

### *The Threat of Intervention and Its Uses*

Recently, the ICC has stressed that only a small percentage of rates are suspended, and fewer still refused, because they are too low. Nonetheless, the cartel is alive and well. Inflation means that rate decreases take the form of rela-

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tively smaller rate *increases*. Moreover, most of the Commission's work has already been done, for rates of various kinds do not go into effect until they have been approved by organizations of carriers known as "rate bureaus."

If confined to the innocuous data-gathering services they tout, rate bureaus' expenses would be minor. Instead, the approximately ninety rail, truck, and water traffic associations each collect millions of dollars every year from member carriers, most of which is spent to maintain forces of potent legal and lobbyist talent used on behalf of cartel interests. Protests by well-funded and sophisticated rate bureaus routinely bring on ICC suspension of independent rate filings – what few there are – and thus raise the probable costs of filing "cut rates." Combined with the ICC's casting railroads in the dual roles of competitors/cooperators, the deterrent is usually sufficient to obviate any need for open Commission enforcement of cartel pricing. Indeed, rate bureaus themselves seldom overtly request "minimum rate orders," so deep-rooted is their pervasive influence.

As long as the power of suspension and refusal over management decisions exists, there will be people to exploit it and magnify its superficially minor impact. Amendments to the Interstate Commerce Act in 1948 assured "the free and unrestrained right to take independent action" in filing rates. Regulatory reform legislation would do no more than reaffirm this principle with similarly hollow words.

### *The Destruction of Regulated Transport*

The recent remarkable upsurge in unregulated owner-serving "private" trucking, "contract carriers" (trucking firms devoted to single customers), and illegal gypsy haulers reminds us that the market is ever at work devising paths around government obstacles.

Characteristically, regulation generates artificial monopoly gains in some economic sectors to dissipate them elsewhere. Briefly, consumers of the first product are trapped, enabling the regulators to reap loot sufficient to support their beneficiaries. But the consumer victims rather quickly discover "next-best" substitutes for the regulated item. Though in transportation the substitution process is made more difficult by immense capital costs, even these will be overcome given enough incentive by cartel pricing.

Once this occurs, three choices unfold to public policymakers: (1) extend regulation to the substitutes, (2) initiate direct tax sub-

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sidy of intended beneficiaries, or (3) give up the whole unsavory game. Again and again, Congress has chosen to extend regulation – most notably in 1935 when truck competition was beginning to dislodge both the rail cartel and its rationale. Now, regulatory reform proposes permanent direct subsidy to railroads in the form of a "trust fund" financed by a tax on *all* (including *un*regulated) carriers. Continuing diversion of business to unregulated carriers would likely lead Congress to extend regulation to them, also.

One must question how long this can go on before the public recognizes the dangers underlying continued regulation. Surely, many consumers will always find ways to avoid the regulatory cartel. Already we are seeing plant and inventory duplication to avoid transport altogether – better known as economic Balkanization. As the gap keeps widening between original free-market possibilities and remaining substitutes, however, we all become poorer. The only way the cartel can be made to work *for its beneficiaries* is by complete government control of the economy, at which point it should be evident just how much we have been impoverished.

But it will be too late then.

Regulation's defenders claim that viable free-market transportation alternatives were never possible. But the truth is that government intervention put us on the path to where we are today. If justice and necessity are to prevail, transportation will be deregulated. Regulatory reform is not enough.

### *"Horse and Buggy" Principles*

IDEAS ON LIBERTY

THE IDEAS of our forefathers are now often called "horse and buggy" principles that might work in a frontier community but not in an industrial age of rapid transportation and communication. The fact remains, however, that it was those "horse and buggy" principles themselves that caused the development of the automobile and the countless other products and services that have made this earth a more pleasant place to live. Conversely, the world-wide situation that has been threatening for so many years to plunge us back into the barbarism of complete governmental controls is due almost exclusively to a rejection of those principles and concepts – in *all* nations, including our own.

DEAN RUSSELL, "The Silent Partner"

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BERNARD H. SIEGAN

# A Free Society

VOTERS in Jefferson County, Missouri (pop. 110,000) have twice rejected zoning. In 1970, 56% voted to terminate it and 58% voted in 1974 against establishing county zoning. I met some of these anti-zoners recently.

One man told me he began his campaign shortly after discharge from the army. He purchased about an acre of land in a rural area to build a home, but was denied a building permit because the parcel was too small to qualify under the zoning ordinance. He was outraged since it was inconceivable to him that anyone could possibly have been harmed by his proposed structure.

When my learned friends hear this story, they generally react with a polite tolerance, a kind of inward yawn: so what else is new? This attitude, regrettably, forecloses discussion and feeds on itself. We seem to have forgotten that basic liberties are at stake.

Most people I meet appear to take it for granted that persons who own land have no inherent rights to do anything with it except what government will allow. That notion, however, is totally inconsistent with the ideals of a free society in which people should be able to do as they please unless their acts clearly harm or interfere with the liberties of others.

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That is the nature of freedom. The exercise of freedom is meaningful only when it involves unpopular actions or expressions. Obviously there is never a problem in engaging in conduct everyone approves. But this infrequently occurs inasmuch as people differ greatly in interests and desires. In a free society, consequently, freedom should only be limited when its exercise actually diminishes someone else's freedom; surely not when it is merely contrary to the will of a majority.

By that standard, freedom in the use of property has vanished in most of this country since those who control zoning do not have to justify it on any such grounds. In fact, there is little restraint on the zoners; often they can do as they please.

Contrast this with treatment of the press. Unless they libel someone, that is, inflict serious and measurable damages, publishers are largely free of controls. Had the same individuals chosen a business involving use and development of property, their freedom would have been severely curtailed. There is plainly a different standard operative in the distribution of freedoms. Yet liberty, we are told, is not supposed to be divisible.

Our social order has been in flux in recent years as more people who claim they have been denied them, obtain "equal" rights. Personal freedom has been a critical issue of our times. Nevertheless, a reverse course has been followed on the ownership of property. Rights of property owners have been steadily eroding due to greatly escalating zoning restrictions.

Probably the strongest support for property rights comes from the grass-roots. One can predict that in referendums affecting property interests such as those on zoning, urban renewal or environmental restrictions, a majority of average and moderate income people are likely to vote against the position that restricts private property. While much of this can be explained on the basis of the harm such laws cause poorer people, these actions also stem from a belief in the right of the individual to own and use property.

This feeling differs substantially from that held by some large developers who tend to view zoning as a game of politics and expediency. Their attitude reflects the pragmatic wisdom of our times that puts property rights on the block. Many small property owners live in a less sophisticated world, and for them zoning is anything but a game; it is more a tyranny of government.

A definition of tyranny found in the dictionary is "arbitrary or unrestrained exercise of power."

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There is no more apt description of what occurs under zoning, where the rules are set and reset at the will or whim of the local council. When the zoners remove hundreds or thousands of dollars of value from property, the effect is comparable to a fine imposed against the owners in that amount – except the latter have committed absolutely no offense.

However you refer to it, there is something terribly wrong when persons have to appear before local officials and plead for the opportunity to use their property as they deem best. It is a demeaning procedure. The owner must carefully consider how to speak, act, look, dress and whom to hire. Perhaps it doesn't matter, but there is too much at stake for most to risk it.

These officials are intended to be servants, not masters of people. Election or appointment to an office having zoning authority carries with it awesome power over other human beings. It has no place in a free society.

IDEAS ON LIBERTY

### *Lincoln on Power*

TOWERING GENIUS disdains a beaten path. It seeks regions hitherto unexplored . . . It thirsts and burns for distinction; and if possible, it will have it, whether at the expense of emancipating slaves or enslaving free men. Is it unreasonable, then, to expect that some man possessed of the loftiest genius, coupled with ambition sufficient to push it to its utmost stretch, will at some time spring up among us? . . .

Distinction will be his paramount object, and although he would as willingly, perhaps more so, acquire it by doing good as harm; yet, that opportunity being past, and nothing left to be done in the way of building up, he would set boldly to the task of pulling down.

When such an one does (spring up among us), it will require the people to be united with each other, attached to the government and laws, and generally intelligent, to successfully frustrate his designs.

From an address before the Young Men's Lyceum, Springfield, Illinois, January 27, 1837.

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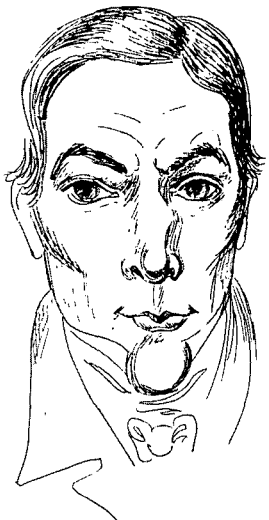
# Robert Owen:



## The Woolly-Minded Cotton Spinner

MELVIN D. BARGER

THE NEARBY WABASH RIVER must have seemed symbolically reassuring to Robert Owen on the day he arrived in Harmony, Indiana in late 1824 to launch the millennium.

It had been on another river, the Clyde in Scotland, that Owen became rich and famous as the director of the New Lanark cotton spinning mills. Here at Harmony, on the Wabash, he was about to establish a community that would become a beacon for all mankind. For too long, in Owen's view, the world had been in bondage to the sins of individualism and self-interest. He had a better way, a way of cooperation and sharing. New Harmony, the name he gave the village after purchasing it early in 1825, would direct the world to this new way by its successful example.

But as students of American history know, Owen's millennium never came. New Harmony was a colossal failure that consumed at least four-fifths of his fortune and destroyed his reputation as an astute businessman. Far from proving that individualism and self-interest could be eradicated, New Harmony revealed perverse and virulent forms of both traits. Hailed as a new beginning in cooperation, the community of 900 persons on the Wabash was characterized by bickering and dissen-

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sion almost from the start. Established as a new social order that would bring economic security, the village quickly fell behind in crop production and ordinary maintenance tasks were neglected. Proclaimed as the model for a system that would usher in a new era, Owen's village was copied only briefly by other communistic societies in America and was then abandoned. As a venture that was supposed to spark the millennium, New Harmony was a total failure.

Oddly enough, however, the New Harmony debacle may have been the high point of Robert Owen's life, because it won him a place in American history and created a heightened interest in "Owenism," the brand of socialism he espoused. Unfortunately, neither Robert Owen nor his followers learned the lessons that New Harmony could have taught them, and much of the "democratic socialism" that is now practiced in the Western world reflects the same fuzzy thinking that destroyed Owen's model community. We are still paying for Owen's folly and for the failure to understand the contradictions of Owenism.

Why did the New Harmony venture fail? It certainly had everything going for it. The community was actually a going concern with good buildings, cultivated lands and orchards, and a fair amount of livestock when Owen purchased it from a German religious sect called the Rappites. It could have had good leadership, because Owen was wealthy and had proved himself a capable manager. The New Harmony movement also had wide support in the new American nation, and Owen had even been given an audience with President-elect John Quincy Adams and the Secretary of the Treasury when he arrived in Washington. There was a kindly tolerance of new ideas, and if New Harmony had been a sound and workable system, the United States had both the political freedom and the available land for thousands of such communal enterprises. Then or now, nothing in the fundamental American idea was opposed to the socialistic communities of the early 19th century, since they were voluntary arrangements and used peaceful means. So why didn't New Harmony become – as Owen hoped it would – the seed colony of a new social order for the country and the world?

### *How Allocate Resources?*

The seed colony didn't reproduce because the problems that undermined New Harmony are essentially the same problems that bedevil every social democratic country in the world, including the present-day United States. Using

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strictly voluntary, peaceful means, how do you obtain human cooperation and allocate resources in a socialistic society? How do you convince the most productive workers that they should keep on producing when everybody, including the idler and the incompetent, is rewarded equally? How do you decide what is to be produced? Or who is to have what job? Who should do the saving to provide investment funds? How can you exchange goods and services in a fair and equitable manner? These are tough, common-sense questions, and they weren't answered satisfactorily at New Harmony. So far, the democratic socialists haven't really answered them either. Socialists are either forced to yield to the requirements of the marketplace, because of their love of freedom, or to move towards the totalitarianism of the Marxist-Leninist camp, because of their blind love of socialism. Both actions are a tacit admission that democratic socialism doesn't work.

In Owen's case, he made no compromises with reality, since he was basically rigid in his outlook and was not capable of altering most of his views. Early in his adult life, he had developed a distaste for individualism and competition, although he was in many ways a gifted individual who could easily compete with others. He was also a man of deep humanitarian instincts, and he would have abhorred the brutal socialism of modern Russia and China. Beyond that, however, he was dogmatic and single-minded. Macaulay regarded him as a "gentle bore" and he was said not to have thought differently of a book for having read it. In other words, Owen was in some ways insensitive to the realities of human nature and did not learn a great deal either from study or from experience. Yet he was an outstanding person of great ability, a high achiever in what would later be the Horatio Alger, Jr. tradition.

### *A Successful Businessman*

Owen was born in Newton, Wales on May 14, 1771, and grew up under circumstances that seem severe by modern standards but were important in shaping his philosophy and life's goals. Unlike some advocates of social change – Karl Marx, for example – Owen was a happy and successful man who had no personal reasons to resent the economic system of his day. Although he began his working career as an apprentice at age 10 without pay for the first year, his abilities were such that he had become a manager of a cotton mill at age 18 and within two years was able to demand and obtain a responsible position at the then

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handsome salary of 300 pounds yearly. He soon became well known in the British cotton spinning industry, and in 1799 he purchased an interest in a group of mills at New Lanark, Scotland. He became world famous as a result of the success of his enlightened policies in running the New Lanark mills.

Owen was born at the right time and landed in the right place for the kind of business success he was to enjoy. The mechanization of the cotton spinning arts was in full swing in the late 18th century, and was presenting excellent commercial opportunities for large profits and rapid growth. It was also an ideal opportunity for a person such as Owen who had considerable management skills but, at the outset, little capital.

Owen's adult life can be divided into several periods of interest and activity. During his first 13 years at New Lanark, he was occupied with the problems of running the mills and bringing about improvements in the educational system and working conditions for the people employed in the mill. As he became wealthier and acquired national prominence, he began to speak out on social conditions and was soon producing the first of many essays outlining the program that eventually became known as Owenism. He was associated with the New Lanark mills until 1828, but long before that the promulgation of his social program had become his chief interest.

With the closing of the long Napoleonic wars in 1815 and a sudden dropoff in demand, England went through a depression. Alarmed because of widespread unemployment, a committee of nobles and other leaders sought advice from manufacturers on ways of dealing with the problem. Owen proposed the development of Villages of Cooperation – the self-sustaining community idea that became the blueprint for New Harmony.

#### *New Harmony*

Owen thought that an ideal community such as a Village of Cooperation would bring out the best in people and put an end to competitiveness and other traits which he saw as social evils. He decided to prove this when he purchased the Harmonie (Harmony) settlement in 1825 from the Rappites. He renamed the community *New* Harmony and issued an open invitation to persons who might choose to affiliate with the settlement. But the venture was characterized by friction and indecision from the start, and by 1828 Owen withdrew most of his support, though retaining title to the prop-

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erty. His financial losses were so great that Mrs. Owen, who had not accompanied her husband to America, was forced to move out of their large mansion into smaller quarters.

Owen unsuccessfully attempted to persuade the Mexican government to sponsor a community similar to New Harmony. He then returned to England and spent the rest of his life advocating social reforms. He was associated with another community venture in England, but like New Harmony, it was also shortlived. He experimented with a Labour Exchange, a sort of tradesmen's cooperative to which individuals would bring articles in exchange for notes in lieu of currency. The exchange soon failed. Owen also led a massive union movement in England in the 1830s, but this collapsed within a few months. For the remainder of his life, Owen continued to publicize his social theories. But he had lost most of his influence by 1834. He spent his last five remaining years as a devotee of spiritualism, and believed himself to be in contact with famous persons who had passed on. At age 86, he wrote his autobiography, a book that is surprisingly lucid and carries important sections outlining the basic tenets of Owenism. He died at 87.

Robert Heilbroner described Owen as "a strange mixture of practicality and naiveté, achievement and fiasco, common sense and madness." We are not accustomed to such "strange mixtures" most of the time. Actually, however, Owen's behavior was contradictory only to those who lacked his view of matters, which he was to call "a new view of society." He always knew what he was doing and had supreme confidence in himself. He perceived a certain kind of role for himself and lived up to it.

### *Guiding Principles*

Throughout his adult life, Owen was guided by three obsessive beliefs about himself and mankind which were to influence almost everything he did. Many of Owen's actions will appear stupid and contradictory to the person who does not understand Owen's motivations and attitudes. In fact, however, Owen was an unusually consistent person. He almost always behaved in accordance with his fundamental beliefs. It was his consistency, in fact, that may have led to his downfall on some occasions.

What were the three guiding elements in Owen's life? First of all, he was committed to a form of *humanitarianism,* and was certainly *humane* in his desire to seek a better life for all and to put an

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end to wretched social conditions and human suffering. He loved people, although in a way that some persons may have felt demeaning and patronizing. He was kindly and gentle, and it is virtually impossible to find an instance in which Owen exhibited spite, vindictiveness, jealousy, or greed. He had a friendly manner that others found attractive. His writing also had a warm, friendly tone, and his criticisms were usually carefully phrased when they involved specific persons.

The second guiding force in Owen's life was *messianism* and a belief in the eventuality of an earthly millennium. Yet he was openly anti-religious. He saw himself in a messianic role with a personal responsibility for causing the millennium (i.e., a New Moral Order) to come to pass. Had Owen been merely a humanitarian without a messianic mission, he probably would have ended his days as the genial director of the New Lanark mills. But he was not content with *relative* progress. He was able to prove at New Lanark that considerate treatment of employees and a general interest in improving employees' well-being is also compatible with good business. But such improvements were too slow for the transformation that he believed was needed. He wanted to take dramatic and effective action that would quickly transform the world and bring about the glorious millennium. It was this messianic mission – and belief in millennialism – that took him from New Lanark to New Harmony.[1]

### Determined by Environment

The third guiding belief in Owen's life was *determinism*. He was unqualifiedly deterministic, and seems to have been almost completely committed to the belief that individuals are shaped by their conditions and their environment. He gave some weight to heredity, but devoted most of his attention to conditions. He was openly critical of individualism and seemed to be unwilling to admit that certain persons were capable of rising above the conditions imposed on them by society (even though he had!). Owen was dogmatic in stating his belief in the proposition that individuals are shaped by their environment.

In the first essay in *A New*

[1] Frank Podmore, an Owen biographer, wrote, "When (Owen) published his *New View of Society*, he looked for the regeneration of the world to begin on the morrow: throughout his long life that high vision, ever receding as he advanced, was still before his eyes; and he died at the age of eighty-seven happy in the belief that the millennium was even then knocking at the door." Podmore, Frank, *Robert Owen*, Augustus M. Kelley, Publishers, New York, 1968 (a reprint of the 1906 book), page 124.

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*View of Society,* Owen stated a fundamental principle which expressed his determinism and also became the rationale for many of his plans. This principle was restated frequently in Owen's writings and has been considered typically Owen by his biographers. The principle is:

> Any general character, from the best to the worst, from the most ignorant to the most enlightened, may be given to any community, even to the world at large, by the application of proper means; which means are to a great extent at the command and under the control of those who have influence in the affairs of men.[2]

Owen's determinism, like his messianism, also helped take him out of New Lanark and into a wider world of social action. Had he not been basically determinist in his outlook, he might have been able to see some of the pitfalls in his plans for Villages of Cooperation. As a practical businessman, Owen knew that successful ventures require certain character traits and skills in management personnel and workers. If he had applied this same understanding to his proposals for ideal communities, he would have admitted more freely that the communal ventures would require similar individual traits in order to succeed.

Although Owen steadily lost power and influence in the socialist movement after 1834, he continued to travel and to lecture whenever he could find an audience. New stars were appearing in the socialist constellation, among them Karl Marx and Friedrich Engels. Both paid homage to Owen as a man and a pioneer socialist, but neither thought much of his utopian socialism and they thoroughly refuted his major tenets. The struggling labor movement also honored Owen in the breach. Owen approved of general strikes, but wanted them carried out in a spirit of universal charity and philanthropy – an idea that never has caught on with any major labor union.

### *Religion Rejected*

Owen also made a colossal mistake when he turned his back on organized religion and even attacked the church in an 1817 speech. This position cost him valuable allies, of course, but it also blinded him to the important role of religion in shaping society. It was indeed ironic that a religious sect, the Rappites, had established Harmony and operated it as a successful and prosperous community; but things quickly fell apart under Owen. Owen wanted the kind of

2 Robert Owen, *A New View of Society,* first published 1813/14, Penguin Books, Baltimore, 1969, page 101.

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sharing and serving that groups such as the Rappites practiced, but he rejected the religious beliefs that held them together. As C. A. Burt, a resident of the famous Oneida Community, said with reference to New Harmony's failure: "There are only two ways of governing such an institution as a Community; it must be done either by law or by grace. Owen got a company together and abolished law, but did not establish grace; and so, necessarily, failed." To this day, socialistic communities survive only when they are held together by religious or nationalistic feelings or are ruthlessly totalitarian.

### *Misreading the Market*

Perhaps Owen's greatest blunder, however, was in failing to understand the marketplace in which he had first accumulated his wealth and acquired prestige. Despite his success as a businessman, there is no evidence that Owen ever attributed his good fortune to the relative freedom of the marketplace in Britain or saw much social good in the mechanization of the cotton spinning industry. He did not seem to be interested in the kind of progress that occurs by increasing the productivity of the individual worker through the use of labor-saving machines. During Owen's lifetime, for example, his own cotton spinning industry had made low-priced clothing and fabrics available to the masses. The impact of the cotton-spinning industry was so extensive that J. A. Schumpeter asserted that English industrial history can (1787-1842) "be almost resolved into the history of a single industry."[3] The rapidly improving productivity of the cotton spinning industry exemplified Adam Smith's argument that "the great multiplication of the productions of all the different arts, in consequence of the division of labour, . . . occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people."[4] It did not seem to occur to Owen that he and his fellow manufacturers, albeit for profit-seeking purposes, had performed a great social service in building an industry that gave the majority of the people access to better clothing at lower prices. To Owen, cotton spinning machines had enslaved the worker and left him poorer than before. Adam Smith, studying the same industry, would have concluded that the steady improve-

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[3] J. A. Schumpeter, *Business Cycles*, vol. 1 (1939), page 271 (referred to in Phyllis Deane's *The First Industrial Revolution*, Cambridge University Press, England, 1965, page 84.)

[4] Adam Smith, *The Wealth of Nations*, Gateway Edition, Henry Regnery Company, Chicago, printed in 1953, page 19.

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ments in machinery would tend to benefit almost everybody and that the British standard of living could be expected to rise with every increase in industrialization. Owen was unduly pessimistic about the future of mechanized industry, despite the fact that he had a major role in early stages of the industrial revolution.

### *Utopian Socialism Replaced by Bolshevism*

By the time Owen died in 1858, his utopian socialism had been largely displaced by the fiery doctrines that eventually became modern Bolshevism. But democratic socialists still claim him as their true ancestor. Clement Atlee, the British Labour Party leader who engineered a great upset victory at the polls in 1945, was quick to point out that "socialist theory was developed by Robert Owen in Britain long before Karl Marx." Perhaps this comment reflects the hope that Owen's humanitarianism will triumph over the harshness of Marx and the totalitarianism of Lenin and Stalin.

The unfortunate verdict of unfolding events does not sustain this hope. The Owenism that failed at New Harmony did not die there; it has become the underlying philosophy of today's British and American governments. If there are redeeming qualities in all this, it's that many democratic socialists share Owen's decency and humanitarianism. But they also share the woolly-mindedness and impracticality that sank his New Harmony enterprise and led to weakness and failure in Owen's other ventures. If it's the spirit of Robert Owen that pervades modern society, some of us might want to echo the words of an editorialist of Owen's time:

> Robert Owen, a benevolent cotton-spinner . . . conceives that all human beings are so many plants which have been out of the earth for a few thousand years, and require to be reset. He accordingly determines to dibble them in squares after a new fashion . . . Everybody, I believe, is convinced of Mr. Owen's benevolence and that he proposes to do us much good. I ask him to *let us alone*, lest he do us much mischief.

Robert Owen — humanitarian, messiah, and determinist — didn't want to let anybody alone. Today, we live with the mischief of his faulty philosophy.

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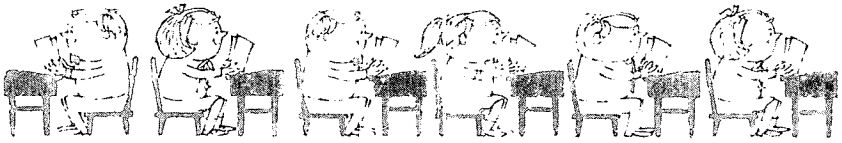
# ACADEMIC FREEDOM



JOAN WILKE

JUST WHAT does "academic freedom" mean? Judging from the events of recent years, it means:

(a) the students' rights to decide what they will learn
(b) the faculty's rights to decide what they will teach and under what conditions
(c) the institution's obligation to present all points of view
(d) everyone's right to an education, through college
(e) the right to the same education as someone else, regardless of aptitudes or economic means
(f) the lowering or abandonment of standards of learning and accomplishment to make universal education possible and uniformly equal
(g) anyone's right to disrupt the learning of others
(h) everyone's right to learn on the other side of town
(i) the right to appear at school in straggly hairstyles and sloppy dress
(j) the right of boys and girls to share the same athletics and locker rooms
(k) government subsidies of education based on race, sex and economic status
(l) all of the above

Of course, the only reasonable answer can be: "None of the above." These are just some of the preposterous claims masquerading today as academic freedom.

The only meaningful academic freedom is the basic right of an institution's board to determine all conditions of education in the school under its management. That's why real academic freedom

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will be unrealized until educational institutions are free of government financing and control.

If a board is supposed to represent the interests of all the taxpayers, the result *must* be chaos. How could it be otherwise? The public body is a hodgepodge of interests, ideas and beliefs, all with a legitimate claim on a public system.

It is the tax base of education that gave one taxpayer the power to remove prayer from the schools. It was the tax base that justified bringing prayer into the schools in the first place. It is the tax base that justifies busing – and also anti-busing activities. And inviting Communist speakers to campuses. And protesting against Communist lecturers. And teaching sex in the primary grades. And removing sex from primary classes. And fighting over textbooks. And all the rest.

This pushing and pulling at the school system frustrates everyone and accomplishes nothing but disruption.

All education requires a point of view as to content, methods, directions, and the like. No point of view can be taken without offending someone. The nothingness that results from trying to accommodate all points of view could be called non-education. It's the essence of socialized education. It is the government control and enforcement of "equal opportunity" that has inevitably driven education to its lowest, most ineffective level.

That's education under the public imperative. And what is the alternative? What is the private imperative?

With private funding, schools *must* deliver the kind of education parents want for their children. How could schools avoid it? They would be individually selected on the basis of their performance. If they didn't offer what enough parents wanted, they would go out of business.

If schools were free to determine their own programs with an eye toward the market, everyone's freedom would be broadened by virtue of the choices that would become available.

The academic freedom of the institution to chart its own course would establish the only possible realistic basis for the academic freedom of students: a variety of offerings to choose from.

There would be schools with prayer and schools without. Some with athletic programs and some without. Some with coed athletics. Some allowing freaky dress. Others not. Some highly specialized. Some general. Some low cost. Some expensive.

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All would prosper or fail on the basis of how they met the desires of the public.

Some things would be missing—the fighting, rioting, shouting, arguing and disruption that takes place when one system is supposed to be all things to all people.

This same academic freedom, the institution's right to provide the program it chooses, would also provide real academic freedom for teachers. There would be a real market for different points of view and new methods. The teachers' creativity would be stimulated by the variety of approaches and educational programs available as well as the drive toward improvement supplied by competition. There would be no lifelong lock-in to a stale job – no stagnation or inertia rewarded with raises acquired by carrying a sign.

No one can say what forms true academic freedom would take and how it would develop and all that it would produce. But some things are certain. Unlike our present static system, improved forms of education would not only be possible, they would be assured. And correspondingly, the archaic and ineffective would disappear.

Does anyone remember why we have those summerlong vacations?

There was a time when heat in the summer was a problem. And in some places, maybe the youngsters were needed to help in the fields.

Now we have air conditioning. And most families don't raise their own produce. But we still have those long summer vacations – often a problem for teenagers, a bore for youngsters, a trial for moms.

Under a system of private education, it is reasonable to assume that school facilities wouldn't remain unprofitably idle for months at a time.

In some instances there might be a choice of terms– on a rotation basis. Or continuous terms with several shorter vacation periods during the year. Or the choice of going to school year round. Or the alternative of going to school part time or in adjustable periods to accommodate employment in the case of high school and college students who want to work.

And the "free lunch" would be free at last. Instead of being paid for by the taxpayers, free lunches offered by a private school would be a competitive inducement to gain enrollment. It would only have promotional effect if the school's fees were competitive with those in comparable schools; so "free" in this case would take on some meaning.

Total educational programs

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might be offered in this same free and easy competitive way. For example, builders and developers in increasing numbers would likely include schooling in their master plans, in the same way that they now include recreational facilities in the price of the home itself while keeping prices competitive.

There was a time when a development attracted buyers with just a swimming pool. Competitive pressures have led more and more builders to include recreation and in expanding ways. It is becoming more and more common to find included such features as tennis courts, putting greens, barbecues, clubhouses, game rooms – even golf courses and lakes.

In appealing to families, proximity to schools has always been a prime consideration for builders. Can anyone possibly believe such facilities wouldn't be provided if there were no public monopoly of education?

Whenever competition comes into play, extra services automatically result.

There would likely be programs to accommodate working mothers troubled by mid-afternoon dismissals. There might be pre-school programs tied in with elementary school enrollments.

Educational franchises could pop up faster than Jack-in-the-Boxes or McDonaldses – based on formulas that would make education more palatable, more fun, and more effective.

It is likely that companies in established educational fields would offer systems using their materials. An encyclopedia company or publisher would be in a good competitive position for introducing educational programs.

In spite of the fact that the government is currently hostile to companies providing related services within an industry, calling it monopoly, great efficiencies can be offered by companies already in a field, economies that are passed along to the consumer quite naturally under competitive pressures.

The only real and deleterious monopolies are those that are forced upon us by government sponsorship and protection – the monopoly of education being a prime example.

A private system would offer schools appealing to different learning capacities as well as different economic levels. There would be good schools and programs for the handicapped and those needing special attention. There would undoubtedly be schools for advanced students that would avoid the difficulties posed by "skipping" youngsters into ad-

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vanced age groups. We wouldn't be stifling the genius in our young Edisons as the uniformity of public education has done in the past.

Standards of accomplishment would be vitally significant because schools would have to depend on their reputations and performance for continued existence.

We could expect to see more schools in connection with churches — schools that are not economically feasible in competition with forcibly financed public schools. Academic freedom would then become a reality for certain religious sects that have been harassed for years by public educators in spite of the controversy over the separation of church and state and the Constitutional guarantees of religious freedom.

Those who see only illiteracy as the alternative to socialized (public) education should remember that our early colleges, such as Princeton, Harvard and Yale, were all founded and funded by church initiative, not the government.

It is also interesting to note recent research by the University of Texas indicating some of the failures of our public efforts to educate everybody. Of the 10,000 adults tested, 20 per cent cannot read newspaper help wanted ads, 13 per cent can't address an envelope properly, 58 per cent can't extract the meaning from a simple paragraph, 30 per cent can't figure out airline schedules. One out of five were found to be functionally illiterate.

Socialized education, like all aspects of socialism, is not anything so much as it is an emptiness, a void, an absence of expression and ideas.

It is accepted because somewhere along the line we have made the mistake of defining free and responsible institutions as those which present all points of view. There never has been and never could be such a thing.

"Equal Time" on T.V. and unbiased reporting in the press are utopian concepts and noticeably non-existent. Freedom of the press is the right of anyone to take a point of view in his newspaper and bear the responsibility for factual accuracy. It is the resulting existence of many newspapers that gives us the choice that makes freedom a reality.

And academic freedom — what is it?

(a) It is the right of people to get the kind of education they want from the choices available on the market. As it is, there is no market at all.

(b) It is the right of teachers to teach what they choose, any way they like, as long as there is a market

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for their services. It is not a license for quackery and demagoguery at other people's expense.

(c) It is the whole body of freedoms that depend on an institution's right to offer what it will, as long as it can survive in the market place.

(d) It is the freedom of choice only possible through privately funded institutions.

(e) It is the variety of offerings that encourages differences, and the appreciation for individual differences, on which the progress of civilization depends.

(f) It is the only system that can make learning as much fun as it should be, because it is the only system that can meet individual needs.

(g) It is the system that places educational responsibilities where they belong – with parents and students.

(h) It is the system that produces people with direction and goals. Not the kind of education that turns out people who think the absence of goals is a goal in itself.

(i) It is the only system that can challenge young people of all capabilities and give them confidence in accomplishment.

(j) It is a system of proliferating choices . . . a system that can change and grow.

(k) All of the above.

(l) And more. Much, much more.

An act of Congress can't provide academic freedom. Only private competition can, with the inexorable pressures of competitive alternatives pushing toward improvement and perpetuating progress.

Just two things keep the public system going. Financing by force, through taxation. And the willingness of people to accept the socialist notion that there is no alternative.

There is, of course. The alternative to nothing is *everything*.

IDEAS ON LIBERTY

### *The Both-Sides Idea*

WHEN A PERSON voluntarily arranges for the presentation of socialistic ideas along with free market ideas, you may be sure of this: He hasn't completely repudiated socialism; he hasn't completely accepted the ideas of the free market and of government restricted to the equal protection of the life, liberty, and honestly acquired property of everyone.

HUGHSTON M. MCBAIN

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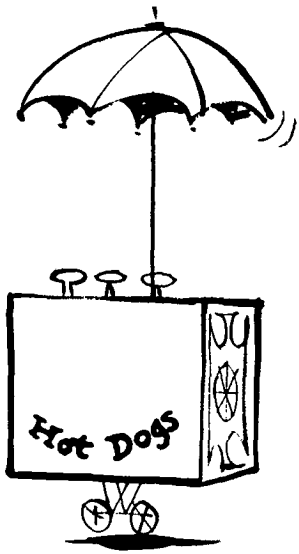
# Socialized Hot Dogs ?




DAVID J. SCHOLL

COMPLEX ISSUES sometimes are clarified by simple experiences. An example occurred a few years back at a small, isolated California college.

For servicing their odd-hour appetites, the students long had depended on a vending machine firm holding an exclusive franchise. And for years the students complained that the products were stale and the machines "ate" their money, returning neither food nor coin. The vending machine company complained that the students repeatedly damaged their machines, causing exorbitant maintenance costs.

The issue came to a head when the student government demanded that "something be done." The college administration and the vendors mutually agreed to cancel their contract. The machines were removed, leaving the students with no on-campus source for snack items, just three weeks before finals. The nearest supply after 8:00 p.m. was fifteen miles away by winding road, far from convenient to scholars spending late hours at their desks.

The student government began to discuss elaborate plans for a quick-food-service in a proposed student union building, but the immediate need was not being met.

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Mr. Scholl is a businessman from Buffalo, Wyoming.

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Meanwhile, one of the students faced dropping out of school for lack of funds; and once again Mother Necessity bore the fruit of invention. Drawing on his experience behind snack bars during summer vacations and football games, the young entrepreneur set up a makeshift stand near the existing student lounge. He served quality hot dogs, soft drinks, candies, and other goodies — all at prices comparing favorably with those of the distant short-order houses. The students had their snacks, at savings to them of time and money; and the young businessman was able to finish his education.

But the outcome might have been different. Officers of the student government, seeing the small private business succeed, quietly met with a Dean of the college, demanding that the hot dog stand be turned over to them on behalf of "the students." They proclaimed it "immoral" for one student to profit from the needs of his fellows; the profits should be used "for the good of all."

The same leaders had offered no practical solution to the snack problem. They lacked experience in operating such a complex enterprise, lacked knowledge of sources of supplies and equipment, lacked the time and desire to operate the hot dog stand themselves, and were unlikely to find a manager and staff motivated to do a proper job.

Fortunately, the Dean was both observant and practical. Declaring the hot dog stand one of the best things to happen to the college within his recollection, he refused the demands of the student government officers, allowing the small business to succeed.

#### Several Lessons Taught

The hot dog stand and the proposal to "socialize" it teach many lessons of broad applicability:

1. *Through franchises, regulations, and special privileges, government creates monopolies, thereby reducing both service and product quality while preventing price competition.* In our case the "government" was the college administration which had allowed only the one vending firm to sell on campus, thus precluding a more satisfactory means of supplying the students' needs.

2. *When free to operate, individual initiative will analyze consumer needs and provide for them with the most efficient use of resources.* The student, seeking to fill his own desire for an education, recognized the opportunity to profitably serve others and did so with an initial investment of less than $50.

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The capital available to private businessmen is extremely limited. While a government enterprise can use its police power to coerce taxpayers to finance it, private enterprise must convince potential investors that the expected return on their investment is satisfactory. The private firms, therefore, must allocate their limited resources in the most efficient and productive manner.

3. *An exchange has indirect objectives, the obtaining of values not obviously involved and seldom recognized by socialist planners.* In the exchanges at the hot dog stand, the seller's immediate need was for money, which he accepted in trade for food which served the immediate need of the buyer. But the ultimate objective of each was his own education. Thus, "led by an invisible hand," each indirectly advanced his own and the educational wealth of the nation through specialization and trade. In a socialist plan, as envisioned by the student officers, the hidden objectives would have been overlooked. Deprived of the opportunity to serve others' needs, the young businessman would have had to forgo his education, reducing not only his personal wealth but also that of the community for years to come.

4. *Socialism means waste.* Blind to the hidden objectives, socialists see only the direct exchange itself. This results in grandiose schemes requiring excessive resources for the "seen" need. In our situation, a minimal investment was required by the enterprising student, while the socialists proposed an elaborate facility which would require high investment and a long time for completion.

This is why socialist nations suffer such tremendous wastes and shortages. The well-known case of nail production in the USSR is a prime example. The planners called for so many tons of nails. The result – a small number of large, heavy nails, excellent for railroad spikes, but useless for building homes and furniture. The planners then called for a specified number of nails. That resulted in an immense supply of small nails, which would have made good tie tacks with some modification.

The planners were too anxious about political prestige to see that nails are produced to enable millions of people to satisfy their individual desires. The nails themselves were so far removed from the true goals, and the goals were so personal and subjective, that it was impossible for a handful of isolated bureaucrats to properly determine their production.

The free market acts to filter and

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accumulate the billions of bits and pieces of demand required in fulfilling millions of personal plans. Each individual seeks various resources to serve his plans, but each requires a different combination of resources. The businessman does not need to know what the plans are, or even what combination of resources is needed for any one project. He only needs to ascertain and provide for the cumulative demand for the items in which he specializes. In this way, the free market makes it possible to cooperate while each of us seeks only to fulfill his own needs.

5. *Each individual in a free exchange receives a profit; the businessman's profit is made by reducing the consumer's cost.* While the entrepreneur earned the money to finance his education, the other students also profited in the form of snacks to maintain their stamina during long hours of study, and a saving of time which might have been spent traveling to the nearest short-order house. Thus the businessman made his profit by *reducing* the costs in time, money, and discomfort to his customers.

Profit is not just the difference between price and costs in monetary terms. It also means the alleviation of physical and psychological uneasiness, the fulfilling of desires by effort which is less unpleasant than the consequences of not making the exertion.

The businessman earns his profit by cooperating with his customers in relieving their discomforts. Each individual could strive to satisfy all his own needs directly and without cooperation with others; but he is unlikely in that way to fill any but his simplest needs, perhaps not even those. The specialization which develops from the free exchange economy enables each person to maximize his profits – in every sense – while aiding others to do likewise.

Neither party to a free exchange would bother to make the trade unless he believed he benefited in some manner. If he can elsewhere obtain a greater value – convenience, lower price, higher quality, more pleasant atmosphere, greater psychological pleasure – he will do business there. Only under compulsion, such as theft or socialism, will an exchange *normally* result in a net loss in satisfaction to either of the participants.

6. *Socialism encourages current consumption rather than investment and production.* While the student businessman would have been prevented from completing college, the student government would likely have used the profits (if any) for short-term projects or

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consumption – a party, dance, athletic uniforms, and the like.

Such a result is almost inevitable. Political office holders know their time in power is limited, so they naturally tend to seek immediate and visible results, both to lengthen their stay in office and to show they have "accomplished something." The result of this pressure is to increase consumption and expenditures and to overlook the "unseen" potential value of saving and investment. People are made to feel prosperous while consuming their capital. Socialism has no means to determine the proper balance between consumption and investment.

A distinction should be made between investment in a free market and the quasi-investments in totalitarian societies. An investment, as we use the term, is the voluntary allocation of scarce resources to the process of production, based on an economic calculation of current costs and expected future returns. In Socialist societies, the allocation is compulsory and political, rather than voluntary and economic. The greater the degree of socialization, the more difficult the calculation of costs and returns. In the case of totalitarian socialism, the costs are ignored altogether, even in terms of human suffering and life, in order to attain an ideological goal and to further the political careers of the planners. Such socialist "investments" consume capital. Only in a free economy is there maximum incentive to create and invest capital to better serve consumers.

7. *Socialism harms rather than helps the poor.* The student officers were not pressed financially. Most of them were from prosperous families or had ample scholarships or loans. They had sufficient free time to be involved in student activities. The entrepreneur lacked those advantages. In order to obtain the education which hopefully would allow him to advance from a lower economic level, he sought funds through his own productive efforts.

When a socialist, fascist, communist, or any totalitarian system is imposed, it freezes economic status. Social advancement comes by way of political influence rather than personal merit and effort. This is a major reason why many wealthy businessmen, especially those who inherited their wealth, oppose free enterprise and press for government intervention. In a free economy they constantly face a challenge from less wealthy individuals and groups who are more highly motivated, skilled, or intelligent. Political intervention allows those on top to nip any such challenge in the bud, regulating it out

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of existence while retaining their own positions.

Freedom encourages self-improvement and advancement and thus benefits the poor. Socialism relegates the poor to a form of serfdom.

8. *Socialism encourages base motives.* While the reasons why the student officers sought to socialize the hot dog stand were never mentioned publicly, and may not have been mentioned privately, two unpleasant possibilities existed.

The student businessman had opposed the election of those officers, and continued to oppose many of their policies in office. As a further "insult," he offered an immediate and successful solution to the snack problem, which they had been unable to do.

Political revenge, envy, frustration, and face-saving are characteristic of socialized economies. The purges in communist nations are simply an extreme example, and logical result, of these motives. While claiming to protect the people from "saboteurs, profiteers, and greedy speculators," communists eliminate political rivals and establish scapegoats for their own failures. The intelligent and productive are physically destroyed, or prevented by fear from taking the risks necessary for productive effort and economic advancement. The talented hide their abilities, so as not to be caught in the purges. The result is stagnation and decline to bare subsistence – or even lower.

9. *Socialism "produces" only when it expropriates the results of individual creativity. Freedom creates, socialism expropriates.* The student government sought the use of other people's capital, time, talent, and effort to implement its proposal of a quick-food-service in a new student union. When a more practical solution was found independently, they sought to confiscate the plan and its income.

Russian officials recently admitted that while they have large petroleum reserves they lack the technology to extract oil efficiently from either the undeveloped areas or the currently producing wells. Their solution is to import the technology, materials, and supplies from economies more free than their own – their usual solution since seizing power over fifty years ago.

There are recent proposals to establish a government-run oil company in the United States to act as a guideline for private firms. But few of those who make the proposal could distinguish a cracking tower from a storage

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tank, let alone explain an octane rating and how it is produced. The socialist scheme would have to rely on the technology developed by "greedy" capitalists during the past century and extort from taxpayers the funds to finance construction and operation.

No one can be compelled to think, create, and invent. Thought is not communal, but personal and individualistic. Compulsion is counter-productive in intellectual matters. With no hope of reward, but sure punishment for failure, an individual will not attempt to create. As a rule he seeks to maximize pleasure and minimize pain.

Improvement has occurred in socialist societies when, contrary to their theories, rewards have been granted for individual merit and achievements. In free societies, those firms are most successful which offer employees wide latitude in achieving corporate goals, and which reward achievement most directly.

Socialism contains the seeds of its own destruction. To the extent that it follows its theories, it causes a decline in thought – man's most basic tool of survival – and with it knowledge and production. A totally socialist world would be of short duration, collapsing into anarchy and feudalism. But it would inflict unimaginable suffering.

So, let us learn the amazing economic lesson of the hot dog stand. Neither a student government nor a cumbersome bureaucracy in Washington is a reasonable alternative to competitive private enterprise.

IDEAS ON LIBERTY

### *Economic Ends and Means*

THE PROPER AIM of economic life is an over-all aim; the use of limited human and material resources in such a way as to serve most effectively the needs and desires of all the people. This aim tends to be achieved automatically in a regime of free markets where the people's needs and desires can express themselves in price offers to which producers are forced by economic necessity to conform.

When political authority, even with the best of intentions, interferes with this self-regulating flow of goods and services, it sets up chains of cause and effect which it can neither foresee nor control except by constantly widening its authority. The final outcome is a regimented society from which all objective and valid guides to human effort have vanished, along with human freedom.

*The Guaranty Survey*, March 1956

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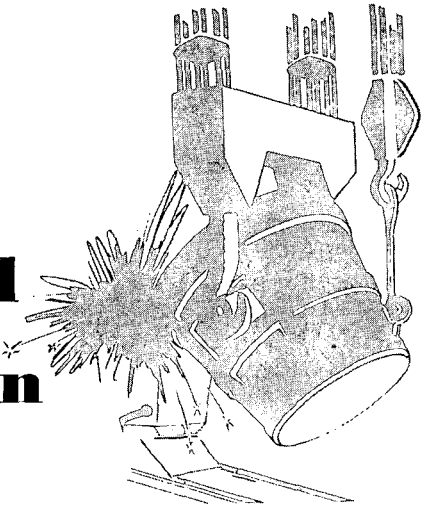
# Steel Titan



FOR BETTER OR WORSE, the American system is built on adversary relationships. There is the well-known antipathy between the press and government. There is also the adversary relationship between business and government. Curiously, the press, which is libertarian when it comes to defending its rights under the First Amendment, crosses the line to side with government whenever there is a wave of skirmishes between Washington, D.C., and the productive forces of the country. You would think the libertarians of the media and the laissez faire partisans of business would sometimes combine in a common understanding, but they seldom do.

Every generation or so the libertarian press guardians of the First Amendment choose to cooperate with the politicos in mounting an antibusiness crusade. They did so in the pre-World War I muckrake era. They did so again in the New Deal period, when FDR lashed at the "money-changers in the temple." Now they are enlisted under the banner of Ralph Nader in the third anticapitalist jihad of the century.

Each time the furore swells, the Marxians among us argue for government industrial take-overs, the so-called Progressives call for more regulation, and businessmen cower in their cellars. Then, for one reason or another (maybe it's



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a war and industrialists are suddenly needed), the fever passes.

It's enough to make one believe in Eternal Recurrence. It is the ebb and flow of adversary currents that provide the main story line for Robert Hessen's fascinating *Steel Titan: the Life of Charles M. Schwab* (Oxford, $14.95). Schwab, who was Andy Carnegie's fair-haired boy during the years of the spectacular development of the Carnegie Steel Company, was alternately a hero and a villain, depending on the public's perception of the need for steel in the ever-shifting life of an often-beleaguered republic.

### *A Team Man*

Schwab was not an originator, he was a builder of integrated teams. His particular genius was in handling people and in doing all the trouble-shooting jobs that were made necessary by the intransigent stands of more rigid men. He "supervised the superintendents" for Carnegie. He loved music, and played the organ for himself, and his natural ebullience recommended him to Carnegie for frequent promotions.

At the age of thirty-five he became President of the Carnegie Company. He didn't believe in unions, but he was a favorite of the men in the mills. After the big Homestead Strike of 1892, which had been mishandled by Henry Clay Frick and Carnegie himself, Schwab lived inside the mill for four months to get things going again. He was a hero to Carnegie for "settling Homestead," and he was a great man to the workers for saving their jobs despite the enmity of Frick for any man who had listened to the siren call of the union organizer.

The ability to conciliate did not save Charlie Schwab from the witchhunters who, in depression-ridden years, sought their villains among the industrialists who were transforming America. Schwab, along with Carnegie, was a great competitor in a period when less gifted business organizers put their trust in pools, market-sharing agreements, and price-fixing. The Carnegie formula was to cut prices and expand productive capacity out of retained earnings whenever there was a period of business recession. Believing that profit is something that comes from cutting costs, Carnegie and Schwab kept the Carnegie Company lean and alive where other steel men were losing efficiency by trying to protect themselves by "gentlemen's agreements."

### *Political Harassment*

In the Nineties Schwab was Carnegie's armor salesman. The government needed heavy plates

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for its new navy. There was no scandal at the time, and nobody could charge Andy Carnegie with promoting "imperialism" to sell his armor plate. In fact, Carnegie was so vociferous in his denunciation of President McKinley's decision to annex the Philippines that Schwab had to be sent to Washington to pacify President-maker Mark Hanna and the other prominent McKinley Republicans.

More than a decade later, when it appeared that the U.S. might be embroiled in the struggle that eventuated in World War I, Senators Robert LaFollette and Ben Tillman started up the cry of "militarism" and proceeded to attack Schwab for his armor sales of supposedly defective steel in the Nineties. It was an uncalled for piece of demagogy, particularly as it related to "inferior" armor; as Schwab said of Carnegie, the pacifistic Andy was in the business of selling steel, not his principles, and the steel was the best that could be had. Naturally, Carnegie wanted to make as much money out of his plate mill as the traffic with government would bear. The mill wasn't good for anything else.

Throughout his later life, with U.S. Steel and with Bethlehem, Schwab was continually in hot water with the crusaders. He was accused, unjustly as it turned out, of engineering a shady ship-building combination. During World War I he ran the Emergency Fleet Corporation for Woodrow Wilson, performing prodigies that were unmatched until Bethlehem Steel turned out 1,100 ships in World War II. To forestall any possibility of charges of conflict of interest, Schwab took no part in contracting for the government with Bethlehem in 1917 and 1918. This did not save him from being pilloried at a later date. And it was long after Bethlehem had ceased to be a "Krupp," dependent of government military orders, that Schwab had to endure the "merchants of death" agitation of the Nineteen Thirties.

### *Bethlehem Steel*

Bethlehem Steel was Schwab's own personal monument. He had bought control of the company when it was nothing very much as a sort of personal sideline while he headed the larger enterprise of the newly-formed U.S. Steel Corporation. His rather flamboyant life-style got him into hot water in the strait-laced society of the early Nineteen Hundreds. Carnegie himself turned on Schwab when stories of his gambling at Monte Carlo hit the headlines in America.

Eventually Schwab was forced out of U.S. Steel. He at once threw

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all his energies into building Bethlehem – up to second position among the steel enterprises of a rapidly expanding country. Putting his faith in the so-called "Bethlehem beam," a structural piece that could be produced as a unit where other skyscraper beams depended on costly riveting, Schwab was responsible for transforming the skylines of New York City, Chicago and all the other metropolitan "downtowns" of America.

His life in the semi-retirement of the Nineteen Thirties was sad. He had outlived his friends, his family, and his early associates. He had been a soft touch with his money when it came to backing a score of small business enterprises for various friends and relatives, and Bethlehem Steel stock had such a fall-off in the depression that, when the Schwab will was up for probate, it turned out that he had died a debtor. If he had lived to greet the war orders of 1940 and 1941, he would have died a millionaire.

THE HIGHEST VIRTUE, by Alan Stang (Western Islands, Belmont, Mass. 02178, 1974) 497 pp., $10.95.

*Reviewed by Bettina Bien Greaves*

RUSSIAN NOVELS often have many characters, complex plots and several interlocking sub-plots. At times it may be difficult to recognize the characters by their many different Russian names. But the effort may well be worthwhile, for a *good* Russian novel offers considerable food for thought. Tolstoy's *War and Peace,* Dostoyevsky's *The Brothers Karamazov,* Pasternak's *Dr. Zhivago,* Ayn Rand's *We, the Living* – to name a few – all ask profound questions or offer some philosophical or psychological insight. And so it is with Alan Stang's "Russian novel," *The Highest Virtue.*

The story is laid in Russia from 1914 to 1920. The characters in the book develop as they cope with the problems of surviving during extremely turbulent times. They encounter a government that was becoming "more and more oppressive, bigger, more and more total. Bureaucrats had multiplied like germs in a wound. And the infection had touched everything private, seizing, regulating, complicating, prying" (p. 138). Food and shelter were scarce. Inflation was rampant – 50,000 paper rubles for a newspaper. Tempers grew short.

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Thievery emerged as a way of life. Almost everyone was fearful of expressing a personal view lest he step on the toes of some powerful official or someone who might later become a powerful official and bear a grudge. The system destroyed everyone it touched – even the idealistic Peter Orloff, who had sought to overthrow the Tsar and who had robbed banks and thrown bombs for the Communists. Although he maintained his idealism through many years of imprisonment, confident that the Revolution would solve all problems, he realized in time that "the so-called Revolution was beginning to 'devour its own!'"

The book illustrates how Communism destroys all who endorse or acquiesce in its authority – everyone from the idealistic Peter Orloff, the shifty opportunist and ne'er-do-well Fyodor Voronov, the factory owning Ivan Danilov who compromised his capitalist principles by helping to finance early Communist ventures, to Ivan Danilov's son Stepan who concealed his capitalist origin and resurfaced as a prominent and powerful Communist official. Only the star-crossed lovers, Maria Danilova and Michael Voronov, who refused to submit to the Communists, retained their independent spirits and succeeded in overcoming seemingly insurmountable obstacles to escape the system's destructive influence.

Author Stang is a citizen of this country but he understands the Communist system. He shows how it deceives those who support it for idealistic reasons. He points out how wrong Communist theoreticians are in holding that individuals are simply products of their environment with no free will to make choices or to think for themselves. He shows why there will be no hope for anyone if the whole world goes Communnist – there will then be no lands outside the Communist orbit to which the Marias and the Michaels may escape. He also describes how the worst always get to the top in a totalitarian regime – as economist F. A. Hayek pointed out in his famous *Road to Serfdom.* By the end of the book, the weak characters have been broken, the ambitious ones destroyed, the compromisers eliminated and the idealistic ones disillusioned, leaving only the most despicable characters in control.

What is "the highest virtue," from which the book takes its name? On page 259, the author writes that after the Revolution, "cooperation" [submission or docile acceptance of the regime] will become "the highest virtue." However, that must have been written tongue in cheek. Judging from the

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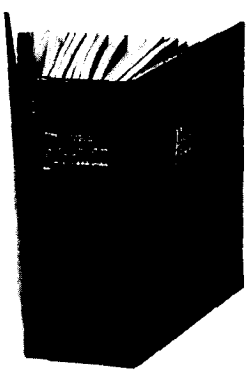
tone of the book, "the highest virtue" *must* be offering resistance to the Communists and refusing to "cooperate," to buckle under or to compromise one iota with their regime.

*The Highest Virtue* offers something for many readers. For those who like novels, there is plot, tragedy and excitement. For persons interested in the Russian Revolution, there are descriptions of life during that harrowing period when the economy was deteriorating. There are also graphic descriptions of the Russian labor camps. Judging from other books on the Revolution, the author has accurately described that period. He has caught the flavor of the classical Russian novel and offers the reader ample food for thought. His book serves as a vivid reminder of what to expect if the capitalistic system goes under.



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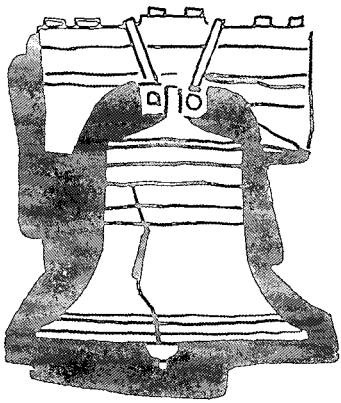

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